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ABSTRACT

Walters State Community College (WSCC) (Tennessee), founded in 1970, began participating in Tennessee's Performance Funding Project in 1979. Changes made in the state funding formula in 1979 were intended to provide an impetus for improving the quality of education on Tennessee's college campuses. The Tennessee Higher Education Commission (THEC) developed the program in order to explore the feasibility of allocating a portion of the state budget for public institutions, based on evidence that faculty and administrators were collecting information about student performance and using that information to improve programs and services. Because the funding policy emerged early in the history of WSCC, it has been an active part of the college's development. This study shows the effects of the funding over the past 20 years at WSCC. The author employed the case study method because of its value in exploring the WSCC culture. Sources of information include documents, interviews, and observations. Of the 31 study participants, the author found that slightly over 30% (11) would continue funding policies without changes; an equal number would continue funding policies, but with modifications; one respondent would discontinue the program; and eight respondents did not answer this question or were not sure. Research instruments appended. (Contains 63 references.) (NB)

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# AN EVALUATION OF TENNESSEE'S PERFORMANCE FUNDING POLICY AT WALTERS STATE COMMUNITY COLLEGE

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To the Graduate Council:

I am submitting herewith a dissertation written by Thomas A. Shaw entitled "An Evaluation of Tennessee's Performance Funding Policy at Walters State Community College." I have examined the final copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Education, with a major in Education.

E. Grady Bogue, Major Professor

We have read this dissertation
And recommend its acceptance:

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Malcolm C. McInnis, Jr.

Accepted for the Graduate Council:

Interim Vice Provost and
Dean of the Graduate School

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# AN EVALUATION OF TENNESSEE'S PERFORMANCE FUNDING POLICY AT WALTERS STATE COMMUNITY COLLEGE

A Dissertation
Presented for the
Doctor of Education Degree
The University of Tennessee, Knoxville

Thomas A. Shaw
December, 2000

# DEDICATION

This dissertation is dedicated to my wife and children

Carolyn B. Shaw

Andrew T. Shaw

Emily N. Shaw

Catherine E. Shaw

Robert J. Shaw

and

my parents
Harold and Virginia Shaw

additionally

in memory of my sister

Angela Jean (Shaw) Paris
(1955-1995)

whose vision, motivation and support were vital to my completing this degree

# ACKNOWLEDGMENTS

The attainment of this doctor of education degree represents a significant milestone in my life. I have benefited greatly from the teaching and interaction with the professors in the Department of Educational Administration and Cultural Studies. I am grateful to my Dissertation Committee, Grady Bogue, William Aiken, Jeffery Aper, Robert Cunningham and Malcolm McInnis for providing the necessary balance of challenge and support throughout this process. Their critical review of early drafts of this study gave clarity and direction to this dissertation study

I am grateful to my family for their monetary support. Appreciation also goes to the Ralph Quarles family for their 1999 Leadership Scholarship, as well as the financial support of my employers: Bryan College and Moody Bible Institute. The generosity of these individuals and organizations allowed me to complete the doctoral program without interruption.

The camaraderie of the higher education- alternative residence cohort group (1998-2000) was also instrumental in providing support as I progressed through the program. The interaction that took place amongst colleagues, while coming from varied institutional backgrounds and job titles, challenged me to think more broadly.

Finally, the greatest debt is owed to my wife, Carolyn, and children Andrew, Emily, Catherine, and Robert. Their encouragement was noteworthy as they set their interests aside in order for me to fulfill this dream. This act of love was incredibly humbling to me and will not soon be forgotten.

# ABSTRACT

This case study evaluated the influence of Tennessee's performance funding policy as it was implemented at Walters State Community College (WSCC), as well as explored the factors that shaped the effects on the campus since 1979. The intent of the policy in Tennessee was to encourage institutional quality and instructional improvement through offering a portion of funding based on performance. It was found that performance funding was thoroughly engrained in the culture of WSCC and was a part of an overall institutional effectiveness program, which indicated a strong commitment to continuous improvement. College personnel were aware of the performance funding policy and understood its importance, but that there was a difference in the knowledge faculty had, compared to division deans and administrators. By in large, the results were taken seriously as demonstrated through the way data was used in decision-making. The motivation for WSCC's continued involvement with performance funding through the years included: improvement, funding and prestige. Performance funding was seen as a point of credibility proving to civic and public friends that WSCC was very effective in educating students in that service area.

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## LIST OF ABBREVIATIONS

| | |
|---|---|
| MBO | Management by Objective |
| SACS | Southern Association of Colleges and Schools |
| SREB | Southern Regional Education Board |
| TBR | Tennessee Board of Regents |
| THEC | Tennessee Higher Education Commission |
| TQA | Tennessee Quality Award |
| UT | University of Tennessee |
| WSCC | Walters State Community College |

## CHAPTER ONE

## INTRODUCTION

Walters State Community College (WSCC), founded in 1970, began participating in Tennessee's Performance Funding Project in 1979. The story of the impact of this participation is significant because changes made in the state funding formula in 1979 were intended to provide an impetus for improving the quality of education on this and other campuses in Tennessee. This state-wide performance funding project was designed to involve the entire public higher education system while at the same time remaining sensitive to the needs of a variety of institutions with varying missions.

The dust had barely settled on the newly constructed campus in Morristown when in 1974 the Tennessee Higher Education Commission (THEC) in Nashville began planning this performance funding program. The idea behind the program was to explore the feasibility of allocating a portion of the state budget for public institutions based on evidence that faculty and administrators were collecting information about student performance and using that information to improve programs and services. Up until that point, WSCC had been funded by the state based primarily on an enrollment formula. This new funding policy, based on performance indicators, did not replace the enrollment formula. Rather, it was added as an option for institutions to benefit financially, based on the degree to which they could document educational improvements on their campuses.



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The performance funding policy emerged early in the history of WSCC and thus has been an active part of its development. This study will show the effects of performance funding over the past twenty years at Walters State Community College.

## Background

### *Growth in American Higher Education*

Public higher education institutions in the United States experienced significant enrollment growth from the late 1940s into the 1970s. This growth occurred primarily for two reasons, a large number of military personnel returned from World War II in the late 1940s, and more women were going to college in the 1950s (Brubaker & Rudy, 1997). This growth in enrollment continued as the baby boomers came to college in record numbers in the 1960s and 1970s. The establishment of federal financial aid programs fueled this growth by assisting students to gain access to higher education. To respond to this growth trend, many states allowed their institutions to get larger by admitting more students. Also, most states added community colleges in the 1960s and 1970s to serve more local people with higher education and technical training. During this time of growth, states funded their public institutions almost entirely based on enrollment as a means of equitable allocation. While modifications have occurred through the years, the enrollment-based funding formula is still used today in most states as the foundation for supporting state schools (Banta & Fisher, 1984; Burke & Serban, 1997).

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***The Call to Accountability***

During this period of enrollment growth (1940s-1970s), concerns began surfacing regarding the quality of education and the extent to which institutions were accountable to the public. There was a great deal of revenue flowing to institutions from their state budgets with essentially no means of gauging how well higher education was doing (Finn, 1984). This led to the beginning of a new movement which sought to hold higher education responsible for what came out of their institutions, not what went into them (Mortimer, 1972). A growing number of stakeholders wanted to see higher educational institutions be held accountable. In fact, in the 1980s a growing number of books, articles and special reports were written, calling into question the value of higher education. These writings not only came from self-proclaimed experts such as Allan Bloom, in *The Closing of the American Mind* (1987) but also from more respected and traditional sources such as William Bennett in his book, *To Reclaim a Legacy: A Report on the Humanities in Higher Education* (1984), in *Integrity in the College Curriculum* by the Association of American Colleges (1985) and in a report published by the National Commission on Excellence in Education entitled *A Nation at Risk* (1983). These publications fed public skepticism about the value of higher education to American society. Skeptics included government leaders, journalists, higher education professionals, and certainly not the least of these, college students and their parents.

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Higher education was put in the spotlight and challenged to prove to the public its value. In order to answer this call to accountability, changes needed to take place in the way colleges and universities evaluated their effectiveness.

***The Assessment Movement***

In order to prove to the public that higher education was still worthy of their trust, many institutions began assessing characteristics that would demonstrate educational and public accountability. Seymour noted that "the key quality assurance device to emerge in higher education has been the assessment movement" (1993, p. 6). Many of the early assessment efforts began in the 1960s-1970s and dealt with quantitative measures such as ratios of income, expenditure per student, or faculty productivity (Aper & Hinkle, 1991). While this assessment information was helpful, it was descriptive in nature and lacked the depth of understanding of how well institutions were educating students. This lack of substantive evidence of effectiveness was the very reason higher education was criticized by the books and articles mentioned earlier. In the 1980s, the assessment movement took on a more qualitative approach. Higher education groups such as the Southern Regional Education Board (SREB) and the Southern Association of Colleges and Schools (SACS) pushed for colleges and universities to turn their attention to quality as defined by educating students, not just by graduating them. SACS was first among accrediting associations to develop and release new criteria which stated how institutions must define educational outcomes and how they could go about assessing those more qualitative outcomes (SACS, 1989). This move forced all institutions


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that wanted to obtain/retain accreditation in that region to comply with these new standards.

Higher education also increased its usage of value-added processes to show the growth of students during the undergraduate years. Astin developed this idea with his Input-Environment-Outcome (I-E-O) model, which served as a way to demonstrate the level of value-added or talent development that was taking place in students (Astin, 1991). Assessment tools were also developed by testing companies to measure general education competencies, major field understanding, as well as student satisfaction and alumni satisfaction surveys. The majority of these assessment tools provided not only local results, but also national norm data to allow for comparisons.

However, in the midst of the accountability crisis and dawning of the assessment movement, an idea was being developed in Tennessee which linked institutional results to funding. This idea became known as performance funding and Tennessee became the first state to offer the program to its public institutions.

***Performance Funding***

Performance funding was a means of linking state funding and educational performance (Miller, 1980). It provided funds to institutions that demonstrated achieved results. Government leaders liked this approach because it provided some strong incentives for colleges and universities to improve. While some states have used the financial incentive as a "carrot" to encourage quality, others have considered using it as a "stick" to punish institutions that don't meet certain standards. Burke &



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Serban (1998) highlighted the states that have used performance funding. These states include Arkansas, Colorado, Florida, Kentucky, Louisiana, Minnesota, Missouri, Ohio, South Carolina, Tennessee, and Washington. Of this group of states, Tennessee was first to initiate performance funding and served as a model for others to consider in designing their own programs (Pickens, 1992; Banta, 1993; Ewell, 1994: Burke, 1997). Tennessee was already attempting to measure how well its institutions were comparing to certain performance indicators by its 1970s exploration.

In order to demonstrate that institutions were educating students, performance indicators came into use. Examples of performance indicators used included retention and graduation rates, general education outcomes, job placement, faculty evaluation, improvement of minority enrollments, number of eligible programs that are accredited, and many others. In most states, the higher education commission, a state-wide governing board, or the department of education worked on behalf of the state government and the higher education institutions to choose indicators of quality appropriate for their settings.

Performance funding has experienced mixed success across the states that have/are using a variation of the policy. Tennessee not only initiated the idea in 1974, but based upon full implementation in 1979, has the longest running performance funding program in existence. Therefore, a brief review of Tennessee's performance funding policy is appropriate in providing background to this study.

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***Performance Funding in Tennessee***

The Tennessee Higher Education Commission (THEC) initiated the Performance Funding program based on long-term planning and pilot studies, with each including participation from various stakeholders. Especially crucial was the way in which state colleges and universities could play an integral part in the development and implementation of performance funding. According to the originator of the Performance Funding Policy, E. Grady Bogue, the THEC's purpose was to "explore the feasibility of allocating some portion of state funds on performance criterion (how effective) as compared to the allocation on activity criterion (how much)" (1976, p. 12). Following the planning stages, the policy was put into place in 1979. Typically, the THEC reviewed the performance funding policy every five years, thus allowing for changes. However, the initial cycle and the most recent cycle were abbreviated which gave the THEC the ability to respond to needed modifications on a timelier basis. The cycle history includes: 1979-82, 1982-1987, 1987-1992, 1992-1997, 1997-2000 and 2000-2005. The review cycle involved the THEC considering modifications in the performance indicators for the next funding cycle. This process helped assure that the agreed-upon indicators offered the best possible means of measuring performance in Tennessee public colleges and universities.

In the early years of performance funding, institutions could gain 2% of the total campus Educational and General (E & G) appropriations in addition to their enrollment-driven funding formula if they met certain standards. Through the years,



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that percentage grew to 5.45% (Morrison, 1995). That amount was large enough to supplement institutions' budgets, yet not such a lofty percentage that in a bad year it forced an institution into financial peril.

## Presentation/Discussion of the Case Setting

Walters State Community College opened in September 1970 and was named for the late Herbert S. Walters, a statesman and public figure in Tennessee for much of the first half of the 20th century. Located in Morristown, Tennessee (Hamblen County), Walters State Community College is one of forty-six institutions in the Tennessee Board of Regents system and one of fourteen community colleges in the state. The college enrolls over 5,800 students and is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award the Associate of Science, Associate of Arts, and Associate of Applied Science degrees. In addition to the main campus in Morristown, the college also has satellite locations in Greeneville, Sevierville and New Tazewell, Tennessee.

## Conceptual Framework

Developing a conceptual framework (theory) was an essential part of the design phase of the case study (Yin, 1994). Some criticize this approach because developing a framework this early in a study could constrain what might emerge as a new theory or conceptual framework (Creswell, 1994). However, Yin counters this contention with the argument that developing a theory beforehand aids in research design, data collection and eventually becomes the main vehicle for generalizing the results of the case study (1994). Previous research and theory made it reasonable for

this study to postulate a conceptual framework in the formative stages of this research project.

This investigation of performance funding policy includes the intentions that were made apparent early in the development stages. One of the authors of Performance Funding in Tennessee, E. Grady Bogue, stated that the policy must:

1) Be professionally acceptable, striking the right balance between the need for institutional autonomy and the need for state-level review;
2) Encourage institutions to exercise initiative in developing performance measures on which they might eventually be funded; and
3) Promote candor in the analysis, evaluation, and application of performance results (1980, pp. 4-5).

These goals were expressed to make it clear to stakeholders the intent of the policy.

Additionally, other motivating factors gave direction to performance funding. There was the intent that performance funding would enhance institutional quality and instructional improvement. The THEC, together with the advice higher education experts, legislators, and campus representatives, developed the performance indicators for the initial three-year cycle from 1979-1982. The following indicators were chosen because they were believed to accomplish the policy goal of enhancing institutional quality and instructional improvement:

1) Determining the proportion of eligible programs that were accredited;
2) Measuring performance of student outcomes on a general education test;

3) Measuring performance of graduates on measure of specified field tests;

4) Evaluating instructional programs by enrolled students, recent alumni and community/employers;

5) Peer evaluation of academic programs; and

6) Instructional performance/quality improvement (Bogue, 1980, p. 58)

One of the compelling intentions of this study was to evaluate the effects of using these indicators and to see whether these indicators made a difference at WSCC. In other words, has performance funding been a pervasive force on the culture, or has it simply lead to cosmetic compliance? Certainly, one of the key cultural elements in the implementation of the policy at WSCC was the role and influence of administrator attitude and style. This proved to be the case at WSCC where the chief executive officer influenced the degree to which the policy penetrated WSCC.

Another policy intent was that performance funding should maintain a balance between institutional autonomy and the need for state-level review. The originators of the policy thought it was important for colleges and universities to be able to make decisions on campus that allowed them to take advantage of performance funding without hampering their ability to fulfill their individual missions. While respecting that autonomy, accountability to the THEC and state legislators was expected.

A final policy intent of performance funding was not only to have mechanisms that measured how much institutions were doing, but also more importantly, to measure how well they were doing. The focus was on demonstrated

outcomes rather than quantitative ratio-based management assessment such as cost per credit hour or number of faculty for every student.

In building a conceptual framework, policy liabilities also needed to be considered. The choice of performance indicators was of importance in considering institutions' uniqueness so that indicators matched the missions. While every attempt was made in the planning and pilot stages to take into account all institutions' missions, inevitably some distinctions could have been overlooked or changes within those colleges and universities through the years might have made the indicators inept at measuring quality.

Another policy liability postulated by Holland and Berdahl (1990) is that campus leaders and state officials did not have enough agreement or confidence in the indicators to be satisfied with their link to specific funding. Because of this political disparity, the potential for policy impact and reform could be reduced.

The next policy liability is that institutions may act to maximize the values of indicators to take advantage of performance funding allocations while not really changing what they do. This phenomenon can also lead to the exclusion of other worthwhile goals. If this happens, unworthy or narrowly conceived goals may be met (Bogue, 1980; Ewell & Jones, 1996).

A final policy liability is that no single or multiple indicator system can describe the overall quality of education for an institution. Thus may go unmet the diverse needs of many potential students and other constituents (Ewell, 1994; Ewell & Jones, 1996). Institutions could potentially grow weary of collecting a significant

amount of data, which only minimally reflects overall quality. If this were the case, campus leaders and faculty would invest little effort, leading to a laizse-faire attitude about the performance funding policy.

An understanding of the policy intent and liabilities of performance funding is the critical key to the conceptual framework. With this in mind, we can progress and determine institutional perceptions of policy intent, impact, penetration, and ideas for reform.

## Problem Statement

The performance funding policy has been a part of the institutional culture at Walters State Community College for twenty years (1979-1999). While WSCC has shown favorable scores on the performance funding reports through the years, an in depth evaluation of the effects of this policy on the institution has been lacking. Stakeholders need to know if this policy is simply a case of an institution going through the motions for the sake of reward, costing the state hundreds of thousands of dollars every year, or if the policy is in fact facilitating improvements in the education of students.

Several studies of a more general nature related to Tennessee performance funding policy have been conducted in the past ten years. Wade's study in 1989 centered on three four-year institutions in Tennessee. His focus was on the implementation of the performance indicators formally referred to as the Instructional Evaluation Schedule. Banta's (1993) decade-long review of performance funding in Tennessee was completed using all Tennessee institutions. She asked the

performance funding coordinators their opinions of the standards and their effectiveness. Morrell's (1996) dissertation focused on the impact performance funding had on general education requirements at community colleges in Tennessee. While WSCC was a part of this study among Tennessee's community colleges, it touched only on the general education indicator of performance funding. Garrick's (1998) study focused on student-specific variables such age, race, work status, and the size of the city in which the institution is located. These variables were analyzed to determine their influence on institutional ability to achieve performance standards. While these studies lay a helpful background, they fail to answer the question of the present study.

The present study fills a void in the literature because it engages the question of whether the policy had its intended effect at the campus level. In other words, it demonstrates the degree to which Performance Funding has brought about definitive, constructive and enduring enhancements in quality and instructional improvements at WSCC, or if the effects have been more superficial in nature. Since 1979, performance funding has been used by WSCC. What needed to be ascertained was whether the policy became a part of the culture, day-in and day-out, especially at the faculty level. Did the policy filter down through the organization to the faculty, and to what degree has the intent of the policy penetrated the WSCC culture. Faculty, as the principle curators of the institution, were in a unique position to make it apparent if they were aware of the performance funding policy and if they believed it has contributed anything to the institution outside of additional funding from the state.

The understanding gained through this study will prove useful to various stakeholders, including faculty, administrators, legislators, students, the THEC, and the broader educational community.

## Purpose of the Study

The purpose of the study was to evaluate the influence of performance funding as the policy has been implemented at WSCC and to explore those factors that have shaped any effects on the campus since 1979. The possible effects could be realized in areas such as academics, finances, student life, facilities and personnel. Also implicit in these effects is the influence of administrator attitude and style. To ascertain these effects, the research questions will prove essential.

The primary research question is as follows: how has the performance funding policy affected Walters State Community College? Other secondary questions include the following:

- Are the effects of the policy consistent with the intentions of the policy?
- What are the formal means by which performance funding has been integrated into the work of the institution?
- Has performance funding penetrated WSCC and become a part of the institutional culture?
- What have been the effects of performance funding policy that have had an impact on instruction, curriculum, student services, practices, programs and administrative function?
- Have the effects of performance funding on WSCC changed over time?

The key is determining if performance funding has accomplished its intended purposes. As Stephen Spangehl writes, "The important question is not whether institutions will do assessment, but whether it will mean anything: whether all that data will have any significant connection to important goals and produce any real improvements in our system of higher education" (1987, p. 35).

## Importance of the Study

This case study holds significance because it focuses on how performance funding, over a significant period of time, has been implemented, and how the policy affected WSCC. While there have been a number of other studies on Tennessee's Performance Funding program, none have focused on the local, individual community college level. Most have provided studies on a broader scale covering all or large segments of public institutions in Tennessee (Wade, 1989; Banta, 1993; Morrison, 1995; Morrell, 1996 Garrick, 1998).

This case study answers questions that cannot be addressed in their entirety by previous studies or by looking solely at written performance reports over the past twenty years. Those facts and figures tell us something, but they lack the real-life perspectives of the influence of performance funding on a community college campus. By lingering on the campus, obtaining documents, observing and interviewing employees, the actual effects of performance funding's influence emerged.

A number of stakeholders would find it important. These include legislators, the THEC, the Tennessee Board of Regents (TBR), WSCC, foundations who have

funded research involving performance funding, and practitioners in higher education assessment, finance, and governance. These stakeholders have invested extensive resources in the form of money, personnel, administration and time in this policy. It is important for them to know if the investment has achieved the intent of Tennessee's Performance Funding policy.

## Assumptions

Slife and Williams (1995) state that, "all theories in the behavioral sciences make assumptions" (p. 17). These assumptions, even when apparent, can lead to problems that need to be dealt with. Qualitative, as well as quantitative research designs contain a number of assumptions. Merriam (1988) details six assumptions of the qualitative design that apply to this research since it is a case study:

1) Qualitative researchers are concerned primarily with process, rather than outcomes or products.
2) Qualitative researchers are interested in meaning- how people make sense of their lives, experiences, and their structures of the world.
3) The qualitative researcher is the primary instrument for data collection and analysis. Data are mediated through this human instrument, rather than through inventories, questionnaires, or machines.
4) Qualitative research involves fieldwork. The researcher physically goes to the people, setting, site, or institution to observe or record behavior in its natural setting.

5) Qualitative research is descriptive in that the researcher is interested in process, meaning, and the understanding gained through words or pictures.

6) The process of qualitative research is inductive in that the researcher builds abstractions, concepts, hypotheses, and theories from details (pp.19-22).

These assumptions provided the researcher with the ability to take advantage of the strengths of the case study design, but also to be aware of the liabilities.

## Delimitations

This study was delimited to WSCC and included individuals who have been involved in assessment and performance funding initiatives. It also included key leaders on campus who influenced the degree to which performance funding was supported or opposed in the WSCC setting. Additionally, the perspectives of faculty in the academic community of WSCC were sought out. While the study does not describe the effects of performance funding at other colleges in Tennessee, it has implications for them. The twenty-year (1979-1999) perspective of performance funding at WSCC adds to the body of knowledge about these state initiatives to improve quality.

## Limitations

Since this study relied on data collected at one college over a definite time period, it contains several limiting factors. The primary limiting factor was incomplete record keeping. The documents from the early days of performance

funding at WSCC were destroyed prior to the 1986-87 school year. The staff explained that quite some time ago the records were thrown out by someone who didn't think they were needed any longer. The current dean of planning, research and assessment came to work at WSCC at that point (1986) and since that time has kept copies of documents pertaining to institutional effectiveness endeavors. This individual was somewhat hesitant to give out the documents at first, but after several requests, the researcher was given access to all documents related to performance funding. The lack of documents between the years of 1979-1985 is a limitation. To compensate for that, the interview protocol included a number of WSCC employees from that early era of performance funding (Appendix D). However, that too, represented a limitation in that the recollections of those individuals were faint due to the long span in time.

The observational aspect of data collection was a possible limitation. The researcher, while spending nine contact days over a two month period on the main campus of WSCC, spent the majority of time in tightly scheduled interview sessions with participants. The observational method was used primarily during and between interview sessions in faculty and administrators' offices. While this approach allowed for a great deal of interview data to collected, the amount of time spent observing data was limited to some degree.

## Definition of Terms

***Assessment:***

Any process of gathering concrete evidence about the impact and functioning of undergraduate education. The term can apply to processes that provide information about individual students, about curricula or programs, about institutions, or about entire systems of institutions. The term encompasses a range of procedures including testing, survey methods, performance measures, or feedback to individual students, resulting in both quantitative and qualitative feedback. (Boyer & Ewell, 1988, p. 1)

***Case Study:***

A research method that explores a single entity bounded by time and activity and collects detailed information by using a variety of data collection procedures during a sustained period of time. (Creswell, 1994, p. 12)

***Performance Funding:***

Allocation by a funding authority of additional non-base funding to institutions or subunits within institutions on the basis of specified performance, as indicated by assessment results. (Boyer & Ewell, 1988, p. 3)

***Stakeholders***:

Any persons who have interests in the research (Bickman & Rog, 1998, p.129).

## Organization

This study will be organized in five chapters. Chapter One includes the Introduction. Chapter Two includes the Literature Review. Chapter Three denotes Research Design. Chapter Four covers the Results, and Chapter Five focuses on Findings, Conclusions and Recommendations of the research study.

# CHAPTER TWO

# REVIEW OF THE LITERATURE

## Overview

The quality of higher education was called into question in the latter half of the 20th Century. This phenomenon triggered a series of responses from the higher education community to become more accountable to the public, legislators and students for the quality of educational outcomes. This review of the literature will discuss this period of accountability, the assessment movement, and eventual development of performance funding. Finally, the history of Tennessee's performance funding policy is presented which highlights the intents, as well as its strengths and weaknesses over the past twenty years (1979-1999).

## Accountability and Higher Education

Higher education through much of its history was free from frequent reporting to the government or to the general public about the results of its academic performance. It was assumed that faculty and administrators were best suited to determine institutional effectiveness and the extent to which they were educating students (Folger, 1984; Boyer, 1987). However, this belief was replaced by a rising level of societal skepticism about higher education's effectiveness in an era when all large organizations including corporations, religious organizations, and government

agencies were coming under close scrutiny (Gaither, Nedwek & Neal, 1994). Higher education was not immune from similar examination.

Beginning in the late 1960s, concerns were being voiced about the quality of higher education institutions and the degree to which they were held responsible or accountable to the public (Bowen, 1974). The new emphasis was results-oriented, seeking what comes out of higher education institutions, not so much about what went into system (Mortimer, 1972). In the early years of this movement the focus was on quantifiable factors related to efficiency. Aper and Hinkle write that, "In the 1960s and 1970s accountability tended to be strongly influenced by efforts to systematize and measure the resources committed to institutions of higher education and subsequently to analyze quantitative indicators of productivity, such as ratios of income or expenditure per full-time equivalent student, program productivity (in numbers of graduates), or faculty workload and productivity" (1991, p. 539).

In the 1980s, attention turned to quality as defined by the effectiveness of institutions to educate students. The Southern Regional Education Board (SREB) writes that "Today, there is interest in a new form of accountability for higher education-- accountability on the basis of the demonstrated achievement of students, not just on financial criteria, and quality judgements on the basis of student academic success, not just on the basis of selectivity" (1984, p. 42). A growing number of factors were being considered, and they were meant to explore the depths of what higher education was intended to encompass in terms of outcomes.

This movement towards greater levels of accountability was propelled by a number of highly publicized books, articles and special reports that were released in the 1980s. They called into question the value of the American educational system. These special reports and books included: *A Nation at Risk* (National Commission on Excellence in Education, 1983), *The Closing of the American Mind* (Bloom, 1987), *Profscam* (Sykes, 1988), *Integrity in the College Curriculum* (Association of American Colleges, 1985), and *To Reclaim a Legacy: A Report on the Humanities in Higher Education* (Bennett, 1984). The sources of this growing skepticism about higher education emerged from government leaders, higher education spokesmen, blue-ribbon panels and the consumers of educational services, the students and their families (Spangehl, 1987).

The government leaders were interested in the degree to which colleges' and universities' performance warranted the use of public funds. Folger writes that "Legislators, frustrated by the difficulty of getting colleges to limit their programs and missions and to operate more efficiently, sometimes say that higher education is uncontrollable and not responsible to anyone" (1984, p. 78). Chester Finn, former Assistant Secretary of Education of the United States writing in the mid-1980s said, "We have essentially no means of gauging how well American higher education as a whole is doing with respect to student learning" (Finn, 1984, p. 48).

Higher education leaders also questioned whether the priorities of institutions were truly focused in the right direction, that being improving undergraduate education (Boyer, 1987). Boyer said, "many of the nation's colleges are more

successful in credentialing than in providing a quality education for their students" (1987, p. 2). Boyer and others believed that good teaching was at the heart of the undergraduate experience (1987). Many faculty members were spending less time with the undergraduates, turning their interests to research, while graduate and teaching assistants taught the students. At the same time, students and their parents were wondering about the cost of education, the increase of student-loan debt, and an uncertain job market (Astin, 1991).

## Assessment in Higher Education

In response to this critical exposure, institutions were called to higher levels of accountability to the government, accrediting associations, and to the general public. In discussing how institutions and higher education in general would respond to this criticism, Daniel Seymour writes, "the key quality assurance device to emerge in higher education has been the assessment movement" (1993, p. 6). Assessment came to the forefront in higher education, and soon the emphasis was on the quality indicators and the level of performance that would be considered acceptable. By measuring the quality through assessment, institutions could provide their constituents with data that affirms the quality of education, as well as provides evidence of weaknesses that can be addressed in creative ways on individual campuses. Assessment indicators were developed and adopted by many states in higher education to help assure quality and to answer these charges from various stakeholders (Seymour, 1993).

The Southern Association of Colleges and Schools (SACS) was the first regional accrediting association to release a new set of criteria that stated how institutions must define educational outcomes and how they could go about assessing those more qualitative outcomes (SACS, 1989). Higher education also increased its usage of assessment activities to demonstrate quality through value-added processes to show not only where students start out, but also how they develop during the undergraduate years. Alexander Astin's Input-Environment-Outcome (I-E-O) model was adopted by many in higher education as a way to demonstrate to what level value-added or talent development was taking place (Astin, 1991). Additionally, general education and major field exams were developed by testing companies to help institutions measure the value-added growth. These factors were helping distinguish a new standard of educational outcomes measurement, compared to earlier quantitatively-based assessment activities. Institutions were feeling pressure to assess more qualitatively how well they were accomplishing their missions and educational purposes.

By the mid-1970s, an idea began to be developed to link assessment activity with financial incentives for demonstrating quality (Miller, 1980). This idea became known as performance funding and through the years a number of states throughout the country have used it with varying degrees of success.

## Performance Funding

Performance funding was a departure from a commonly-used, enrollment-based budgeting formula to a new one that rewarded institutions for achieved, rather

than promised results in certain categories (Serban, 1987). It was a unique means of linking state funding and educational performance.

Historically, states allocated funds to institutions based on the number of students multiplied by the historical cost factors by level and discipline. Bogue (1980) highlighted the limitations of budgeting formulas, saying that they

1) Impose a leveling effect upon the quality of educational programs. Using average costs for formula instructional rates tends to have a homogenizing effect on institutional diversity. The costs of an exceptional academic offering are averaged out by the costs of typical offerings.

2) Provide no incentive for improved instructional performance. Instructional rates remain the same regardless of instructional performance. Quantity rather than quality is emphasized.

3) Encourage a displacement of institutional goals. Obtaining more students displaces the goal of serving students; formulae tend to become ends in themselves.

4) Fail to recognize economies of scale and plateaus of fixed or marginal costs. As a result, formulae are great during periods of enrollment growth but not so promising during enrollment declines.

5) Rely on historical cost data which reflect what institutional costs were but not on what they should have been (p. 3).

Performance funding was proposed as a way to address these criticisms and to provide an alternative that could become a better way to finance public higher education institutions.

While its benefits are many, performance funding is not without its critics. For example, Alexander Astin is critical of performance funding saying most programs are "deficient in important ways" (Astin, 1991, p. 239). While not explaining why, he suggests that an alternative would be to use incentive funding to reward institutions on a system-wide basis, rather than on an individual basis. His desire is for equity of rewards across the system, rather than for individual institutions to benefit from higher attainment on indicators. While this alternative would be popular with certain institutions, it would eliminate much of the incentive for colleges and universities to respond with quality improvements. Holland and Berdahl conducted a 1989 survey with 48 state higher education executive officers regarding their use of fiscal enhancement programs as a strategy to influence higher education performance. Through their findings they captured the essence of what can be learned from the strengths and weaknesses of fiscal enhancement programs by postulating the following five recommendations:

1) The goals must be narrow, specific and clear. The clearer the goals and the clearer the priorities among the goals, the more effective an incentive program is likely to be.

2) There must be agreement on measures of institutional progress toward goals. At times these measures are straightforward, but they can also be difficult depending on what is being measured.

3) They reward and encourage meaningful institutional differentiation.

4) They are change strategies that equip creative people within the academy to think and develop new ideas and activities (1990, pgs 14-15).

The number of institutions in the United States that have used performance funding, number in the teens. Burke and Serban report in their Second Annual Survey that as of 1998, thirteen states are using performance funding in some form. These include Colorado, Connecticut, Florida, Illinois, Indiana, Louisiana, Missouri, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee and Washington (1998). Based on this survey with state higher education finance officers, Burke and Serban found that twelve more states are likely to implement performance funding in the near future. More and more states want to link funding to indicators of quality performance.

## Performance Funding in Tennessee

Tennessee anticipated this call to accountability years before other states were ready or willing to respond. In 1979, while other states were just beginning to react to questions of quality, credibility and value, Tennessee had already been seeking to assess how well its institutions were measuring up to certain performance indicators and rewarding them to do so. Since its inception, it has been widely cited as a model



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program for other states to consider (Pickens, 1982; Banta, 1993; Ewell, 1994; Burke, 1997). The origination of the Tennessee program was unique in a number of ways. Performance funding was conceptualized and developed by a THEC initiative committee that involved a teamwork effort among campus leaders, board members, and legislators. Noteworthy is the fact that the policy was not a decree made by the state government. Ernest Boyer, in his book *College: The Undergraduate Experience in America*, stated, "The integrity of higher education requires that public agencies not get involved and begin even indirectly to control the education process" (1987, p. 262). Boyer believed that educators needed to be the ones constructing a credible means for evaluating and holding colleges accountable. He warned that if educators did not respond to the need for great responsibility and accountability, state agencies would bypass them and mandate changes (Boyer, 1987). The THEC anticipated this call to accountability and used performance funding as an opportunity to seek to enhance the quality of education for students, improve the credibility of higher education in the state, and provide budgetary incentives for institutional involvement in the program.

The THEC's original purpose in the Performance Funding project was "to explore the feasibility of allocating some portion of state funds on performance criterion (how effective) as compared to the allocation on activity criterion (how much)" (Bogue, 1976 p. 12). Serban writes that "Performance funding is the only budgetary reform to date which directly links at least part of the funding for public higher education to achieved, rather than promised, results in policy areas states deem

important" (1997, p. 2). By linking the arms of performance and funding, the THEC was designing a potentially powerful force for improving Tennessee's public institutions.

The THEC took this unique means of linking state funding and educational performance and considered it as a complement, not a substitute, for funding based on enrollment. Institutions would still receive the majority of their enrollment-based state funding allocation, but the performance funding portion was a pleasant incentive for quality improvement. Also, the performance of institutions was measured against their own past record, not in competition with other Tennessee colleges and universities. In the early years of performance funding, institutions could gain 2% of the campus Educational and General (E & G) appropriations in addition to their enrollment-driven funding formula. Now, twenty years later, that percentage has grown to 5.45% (Morrison, 1995).

The Tennessee Higher Education Commission (THEC) adopted a statement of purpose in 1990 that illustrates what Performance Funding was intended to accomplish:

> The Performance Funding Program is designed to stimulate instructional improvement and student learning as institutions carry out their representative missions. Performance Funding is an incentive for meritorious institutional performance and provides the citizens of Tennessee, the Executive branch of state government, the legislature, education officials, and faculty with a means of assessing the progress of publicly funded higher education. By

> encouraging instructional excellence, the Performance Funding Program contributes to continuing public support of higher education and complements academic planning, program improvement and student learning. (p. ii)

The THEC had the foresight to realize that the original funding formula was not going to be as effective in meeting the needs of the state or its higher education institutions in the future. Enrollments on many campuses had stabilized, which didn't allow for additional revenues to be generated based solely on student numbers. Institutions had grown so quickly in the 1950s and 1960s that the funding focus was weighing in favor of quantity and not quality. The Performance Funding Project gave incentive for institutions to focus on improving their quality of education.

The origin of Performance Funding in Tennessee goes back to 1974 when John Folger, then Executive Director of THEC asked E. Grady Bogue, then at Memphis State University to use his American Council on Education fellowship with a year at the THEC to develop this new idea. Folger and other state officials had the foresight to realize the original funding formula was not going to be as effective in meeting the needs of the state or its higher education institutions in the future. The enrollments on many campuses had stabilized, which didn't allow for additional revenues to be generated. Additionally, institutions had grown so quickly in the 1950s and 1960s, that the focus was weighing in favor of quantity and not quality. The Performance Funding project gave incentive for institutions to focus on the improvement of the quality of education.

Soon after initiating the Performance Funding project, Folger accepted a new position with the Education Commission of the States, and Wayne Brown was appointed the new Executive Director of THEC. Brown appointed Bogue as the Director of the Performance Funding Project, and a year later William Troutt was named Assistant Project Director (Bogue, 1980). These individuals were instrumental in the development of Performance Funding in Tennessee. Their motto throughout the initiation of this program was, "acting on the possible while awaiting perfection" (Bogue, 1980). The THEC officials knew this would need to be a work in progress. There was a sense of urgency to get started, yet the THEC resisted the temptation to move too quickly. A program of this magnitude needed to be carefully considered before implementation. Holland and Berdahl write that "Any incentive program should be a part of a complete plan, strategy, or blueprint for developing a state's higher education system" (1990, p. 16). This type of comprehensive analysis and state-wide planning was considered important in the initial stages of the development of a performance funding program. The credibility of the program and the THEC was at stake, not to mention the future of institutions all over the State of Tennessee. As Joseph Burke and Andreea Serban noted, performance funding "requires a level of collaboration, patience, and persistence that is seldom found in government decision making" (1997, p. 8).

In order to determine the feasibility of this new performance funding program, a great deal of study and input was solicited by the THEC from stakeholders such as campus leaders on the state and national level, and legislators. Two advisory panels

were instituted, one on the state level, and the second on the national level. The state level panel included thirteen men representing legislators as well as community colleges, state universities, and research universities. The national panel included ten men representing leading universities, education commissions, and national testing services. The purpose of these committees was to "guide further planning of the project, test and contribute ideas, continually evaluate the project, and establish communication links with other higher education interests" (Bogue, 1980).

The THEC obtained outside funding from the Fund for the Improvement of Postsecondary Education (FIPSE), the W. K. Kellogg Foundation, the Ford Foundation, and an anonymous foundation. Altogether, $550,000 was raised to fund this feasibility study (Morrison, 1995). With these grants in place, a campus-based pilot project was implemented on eleven campuses in 1976-77. The institutions included:

- Austin Peay State University
- Columbia State Community College
- Memphis State University
- Shelby State Community College
- Tennessee Technical University
- University of Tennessee Center for the Health Sciences
- University of Tennessee at Chattanooga
- University of Tennessee at Knoxville
- University of Tennessee at Martin
- University of Tennessee at Nashville
- Volunteer State Community College

Morrison (1995) stated that these campus-based projects helped "to secure the involvement and commitment of a potentially skeptical academic community" (p. 4).

The pilot schools' experimentation with performance funding was an operational test of

(a) the willingness of campus personnel to get involved in action oriented performance assessment,

(b) the ability of campus leadership to involve faculty in the project and to elevate concern for performance assessment and funding,

(c) the inclination of a campus to express its own sense of educational uniqueness without worrying overly much about what some other campus was doing,

(d) the return of performance data to those who should be the primary users- the faculty,

(e) the potential for developing a partnership of concern in which commitment to a common good overcame suspicions of unworthy motives, and

(f) the feasibility of developing workable performance funding concepts, concepts that would stand the test of both educational and political acceptability (Bogue, 1980, p. 38)

The responsiveness to the pilot institutions was positive, and the THEC decided to proceed with another pilot project from 1977-1979. During this pilot study six performance variables were identified and later used in a three-year cycle from 1979-1982. These variables were referred to as the Instructional Evaluation Schedule and included the following:

1) Proportion of eligible academic programs accredited (20 points)
2) Performance of graduates on a measure of general education outcomes (20 points)
3) Performance of graduates on measure of specified field outcomes (20 points)
4) Evaluation of instructional programs by enrolled students, recent alumni, community/employers (20 points)
5) Peer evaluation of academic programs (20 points)
6) Optional variable (which eventually became instructional performance/ quality improvement) (5 points). (Bogue, 1980, p. 58)

The top five scoring variables were added together to give an institution a total that could also be considered points in which to calculate the total. WSCC was not a part of the initial pilot study, but like many other state institutions they were watching from a distance with interest. In 1979, after receiving state approval a pilot test of the 2% allocation was initiated to gain further insights into the policy in action. This was a major step, given the many questions about how performance funding would impact the state-wide budget. The THEC invested much time in preparing the proposal for the governor and legislators. They were careful to work with the Commissioner of Finance and Administration to adjust the higher education budget to accommodate the implementation of the performance funding factors. Under this new plan, the

budget could still balance, and the state would realize the added benefit of the educational improvements.

The THEC has reviewed and continues to review the Performance Funding policy every five years. These reviews occurred in 1982, 1987, 1992, and 1997. The five-year cycle, 1997-2002 has been interrupted as the THEC decided to re-evaluate the policy in 1999-2000. This occurred in order to bring this five-year cycle in alignment with TBR five-year assessment. In preparation for each new cycle, the THEC considers modifications in the performance indicators.

The 1979-1982 Instructional Evaluation Schedule was not well received by Tennessee higher education institutions, which led to a second inter-institutional group to re-examine the Schedule (Banta & Fisher, 1989). These institutions stated that the THEC Schedule at that time didn't place enough emphasis on opinion surveys that could be used in conjunction with achievement testing (1984). The new inter-institutional group proposed changes, which were considered by the THEC in preparation for the next cycle, set to run five years. The performance indicators for 1982-1987 were:

1) **Accreditation**- the percentage of programs eligible for accreditation that were accredited. (25 points)
2) **Either the Major Field or Peer Review** (30 points)
3) **General Education** [four-year schools] (25 points)
   *Either* General Education or Job Placement [two-year schools] (25 points)

4) **Student/Alumni Surveys** (10 points)

5) **Instructional Improvement Measures** (10 points). (Morrison, 1995)

During this cycle the allocation was changed from 2% to 5% of E & G expenditures. The higher figure was used starting in 1984-1985, based on the 1982-1983 review year.

Following this cycle, the THEC instituted a Task Force to evaluate the standards and to consider improvements for the next cycle (1987-1992). The Task Force made two tensions apparent. The first was the conflicting interests of institutions with different missions and diverse styles of leadership. The second was the institution's preference for qualitative approaches, as opposed to the THEC's interest in quantitative data and evaluation. The 1987-1992 cycle reflected a "growing recognition that qualitative data from surveys and peer review is more effective in securing improvements in the teaching and learning environment than absolute test scores" (Morrison, 1995).

The 1992-1997 cycle was preceded once again by discussions of a THEC-appointed Task Force. This group adopted six principles that reflect a shift of emphasis from test results to achievement of institutional goals. These six principles were:

1) The purpose of performance funding is to provide an incentive for academic quality.

2) Incentives should be directed toward the achievement of high quality, not average quality.

3) Performance funding standards should be tied as closely as possible to strategic planning, SACS standards, the state Master Plan for higher education, and the goals of the Tennessee Challenge 2000.

4) Persistence to graduation and transfer from community colleges to universities should be part of performance funding.

5) Standards should be broadened to provide areas other than academics to affect performance funding outcomes.

7) Differences in institutional mission should be recognized in the development of new standards. (Morrison, 1995)

With these principles established, the 1992-1997 performance standards were released by the THEC. The scope of standards was broadened from five to ten areas. This change followed a national trend of increased complexity of categories in funding formulas (McKeown & Layzell, 1994). The THEC also increased the allocation to 5.45% of institution's E & G amount. The ten standards were:

1) **General education** (10 points)

The performance of graduating seniors in general education using an external assessment instrument to measure achievement (either ACT COMP or College BASE).

2) **Major field** (10 points)

The performance of graduating seniors in an external or locally-developed test in their major field.

3) **Student/alumni surveys** (10 points)

The evaluation of an institution's academic programs and related support services by (a) currently enrolled students (years 1,3 & 5 of the cycle) (b) recent alumni (Years 2 & 4), in both cases using a common, state-wide survey instrument.

4) **Accreditation** (10 points)

The proportion of an institution's accreditable programs which are actually accredited.

5) **Peer review** (undergraduate programs) (10 points)

The peer review of non-accreditable undergraduate programs at least once every 5 years by a panel which should include at least one out-of-state consultant.

6) **Either** (a) **Peer review** (4-year institutions, Master's programs)

The peer review of accreditable and non-accreditable master's programs at least once every 5 years by a panel which should include at least one out-of-state consultant.

**OR** (b) **Job placement** (2-year institutions)

A report on the job placement rate of graduates.

7) **Student enrollment goals** (10 points)

An institutions achievement by the end of the cycle of mission-specific and minority student enrollment goals, with benchmarks for each year to measure progress.

8) **Student retention and graduate rates** (10 points)

An institution's achievement by the end of the cycle of targets set for (a) student retention (progression from freshman to the sophomore) (b) a 6-year graduation rate ("persistence-to-graduation"), with benchmarks for each year to measure progress.

9) **Mission-specific goals** (10 points)

An institution's achievement by the end of a cycle of mission – specific goals and objectives, drawn from its strategic plan, with benchmarks for each year to measure progress.

10) **Instructional improvement measures** (10 points)

The identification and implementation of improvement action to correct weaknesses in the instructional program or academic support services previously identified through application of performance funding standards. (Morrison, 1995)

Morrison believed the standards for 1992-1997 represented four significant developments in the THEC's Performance Funding policy reform. These included:

(a.) a deliberate shift in focus from improvements in the instructional program, reflected in the results of tests on the undergraduate curriculum (now worth only 20% of the total points of the total available, compared with 40% in 1987-1992), to improvements in instructional performance levels and the achievement of institutional goals under standards 7-10 (representing 40% compared with 15% in 1987-1992). In short, the emphasis shifted from quality enhancement to public accountability; (b) increased weighting in the points scoring for qualitative, process measures (Standards 5, 6a, 9, 10) at the expense of quantitative, output measures (Standards 1, 2); (c) the introduction of the t-test methodology to the scoring system for Standards 1, 2 and 3 to eliminate major problems and ambiguities which arose in 1987-1992 (with funding implications). These changes ensured that performance funding points are awarded to institutions for statistically significant improvements, rather than random fluctuations; (d) the reinstatement of the peer review of undergraduate programs as a valid measure of quality for performance funding purposes (Morrison, 1995).

The Performance funding standards for 1997-2000 reflected ten measures, but were organized under four major categories. In addition, point values were split between 4-year and 2-year institutions as shown in Table 2-1:

**Table 2-1 Performance Funding Measures (1997-2000)**

| | | *Points* 4-Year | 2-Year |
|---|---|---|---|
| 1). | **Academic Performance: General Education** | | |
| | 1a. Foundation Testing of General Education Outcomes | 15 | 15 |
| | 1b. Pilot Evaluations of Other General Education Outcome Measures | 10 | 10 |
| 2). | **Academic Performance: Major Fields** | | |
| | 2a. Accreditation of Academic Programs | 15 | 10 |
| | 2b. Program Review | 20 | 10 |
| | 2c. Major Field Assessment | 15 | 15 |
| 3). | **Student Success and Satisfaction** | | |
| | 3a. Enrolled Student or Alumni Survey | 10 | 10 |
| | 3b. Retention/Persistence | 5 | 5 |
| | 3c. Job Placement (two-year institutions only) | | 15 |
| 4). | **State and Institutional Initiatives** | | |
| | 4a. Institutional Strategic Plan Goals | 5 | 5 |
| | 4b. State Strategic Master Plan Goals | 5 | 5 |
| | Total | 100 | 100 |

(Tennessee Higher Education Commission, 1997)

The performance standards for 2000-2005 reflect ten measures, organized under four major categories (Table 2-2). Once again, point values are split between 2-year and 4-year institutions.

Over the course of the last 20 years, Walters State Community College has generated $6,528, 995 in performance funding revenues. Table 2-3 reflects the points and dollars history for WSCC since the 1978-1979 school year.

**Table 2-2 Performance Funding Measures (2000-2005)**

| | | *Points* 2-Year | 4-Year |
|---|---|---|---|
| 1). | **Academic Testing and Program Review** | | |
| | 1a. Foundation Testing of General Education Outcomes | 15 | 15 |
| | 1b. Pilot Evaluations of Other General Education Outcome Measures | 5 | 5 |
| | 1c. Program Accountability | | |
| | Program Review | 5 | 10 |
| | Program Accreditation | 10 | 15 |
| | 1d. Major Field Testing | 15 | 15 |
| 2). | **Satisfaction Studies** | | |
| | 2a. Student/Alumni/Employer Surveys | 10 | 10 |
| | 2b.Transfer and Articulation | NA | 5 |
| 3). | **Planning and Collaboration** | | |
| | 3a. Mission Distinctive Institutional Goals | 5 | 5 |
| | 3b. State Strategic Plan Goals | 5 | 5 |
| 4). | **Student Outcomes and Implementation** | | |
| | 4a.Output Attainment | | |
| | Retention/Persistence | 5 | 5 |
| | Job Placement | 15 | NA |
| | 4b. Assessment Implementation | 10 | 10 |
| | Total | 100 | 100 |

(Tennessee Higher Education Commission, 2000)

**Table 2-3 Community College Comparison of Performance Funding Results**

| Year | WSCC Points Earned | WSCC Total Dollars | Comm. College Points (Low) | Comm. College Points (High) |
|---|---|---|---|---|
| 1978-1979 | 20 | $12,085 | 10 | 65 |
| 1979-1980 | 36 | $25,367 | 13 | 80 |
| 1980-1981 | 56 | $40,357 | 13 | 88 |
| 1981-1982 | 78 | $58,901 | 10 | 81 |
| 1982-1983 | 92 | $177,666 | 72 | 100 |
| 1983-1984 | 88 | $200,552 | 59 | 100 |
| 1984-1985 | 92 | $231,932 | 74 | 100 |
| 1985-1986 | 100 | $280,598 | 75 | 100 |
| 1986-1987 | 100 | $307,978 | 86 | 100 |
| 1987-1988 | 95 | $351,397 | 70 | 96 |
| 1988-1989 | 86 | $334,792 | 75 | 97 |
| 1989-1990 | 97 | $413,034 | 64 | 97 |
| 1990-1991 | 88 | $374,711 | 72 | 93 |
| 1991-1992 | 96 | $447,022 | 72 | 96 |
| 1992-1993 | 91 | $476,062 | 82 | 100 |
| 1993-1994 | 91 | $528,633 | 79 | 99 |
| 1994-1995 | 94 | $542,577 | 79 | 98 |
| 1995-1996 | 84 | $501,520 | 74 | 94 |
| 1996-1997 | 96 | $595,559 | 77 | 97 |
| 1997-1998 | 93 | $628,252 | 72 | 100 |
| *AVERAGE* | *84* | *$326,449.75* | *61* | *94* |

Tennessee Higher Education Commission, 1999

**Strengths & Weaknesses in the Tennessee Performance Funding Policy**

The literature suggests that there have been some positive outcomes of Performance Funding in Tennessee. In a survey of twenty-three Tennessee public colleges and universities in the mid-1980s, 95% of them indicated that performance funding was beneficial (Banta & Fisher, 1989). Van Dyke, Rudolph & Bowyer (1993) wrote that up until that point the assessment mechanisms offered through Performance Funding and the SACS criteria had made a positive difference in higher education in Tennessee. They wrote about specific examples from Austin Peay State University to Dyersburg State Community College and State Technical Institute at Memphis, illustrating how assessment data have helped these institutions make changes to improve educational outcomes. These authors noted, "Faculty and staff regularly review assessment data to determine ways to improve the teaching-learning process and services to students. The very fact that faculty are discussing the results of assessment and asking how to improve outcomes is a significant change from earlier years" (Van Dyke, Rudolph & Bowyer, 1993, p. 285).

Performance funding has not always been warmly welcomed on campuses (Dumont, 1980). However, through the years, legislators have continued to support this program for the evidence it demonstrates regarding the improvement of educational quality in the state. "Performance funding has endured as an instrument of state funding policy in Tennessee, despite negative reactions by faculty and campus coordinators, principally because the THEC has used it successfully to

convince influential legislators that Tennessee's public colleges and universities are accountable and deserving of additional state revenues if they demonstrate good performance" (Banta, Rudolph, Van Dyke & Fisher, 1996, p. 44). This is a key point, because the THEC anticipated the questions about the quality of the state's institutions before the state government or SACS had an opportunity to impose more intrusive external standards which may not have fit the systems of higher education in Tennessee. By being proactive, and putting up with some resistance from institutions, THEC appears to have gained the respect and attention of the stakeholders (Banta & Fisher, 1989).

Another evidence of strength is that other states have implemented performance-based funding initiatives, almost always considering the Tennessee model. Most states began implementing programs in the 1990s, so the stability of the Tennessee Performance Funding program provided ideas for legislators and higher education councils to consider in establishing their own plans. However, even with influence of this long-standing policy, none have adopted the Tennessee model. Burke and Serban report that Colorado, Connecticut, Florida, Illinois, Indiana, Louisiana, Missouri, Ohio, Oklahoma, South Carolina, South Dakota, and Washington, were using performance funding in some form, plus there were twelve more states likely to implement performance funding in the near future (1998). More and more states want to link funding to indicators of quality performance. "Given its success to date, state leaders considering initiatives to encourage institutions to undertake assessment activities could benefit from studying the history, strengths, and

suggestions for modification of Tennessee's performance funding program" (Banta, 1989. p. 33).

The Tennessee Performance Funding model has also influenced other states such as Colorado, Florida, Kentucky, and South Carolina in their choice of performance indicators (Richardson, 1994). While there is a wide variety of indicators being used, it appears Tennessee has played a role in how other states have formulated their performance funding programs. Unfortunately, for most of the states that have added performance funding in recent years, it has been mandated by governors or legislators who want to hold higher education accountable by tying their funding to improvements. Many are also prescribing the performance indicators for the schools which has caused anxiety on the part of institutions and a lack of ownership of the programs. The performance funding program in Arkansas quickly failed because it was a political platform for a one-term governor to get elected which did not get a lot of support from his predecessor. Another detriment to the Arkansas program was the lack of initial and ongoing input the institutions had in the program. Other states continually struggle with political maneuvering, differing opinions regarding the performance indicators, and how the program fits into overall fund allocations.

Morrison (1995) wrote about why Performance Funding in Tennessee has been successful for so long. He concluded that its longevity is based on the following:

1) **Performance funding is not state-mandated.**

It is a voluntary program institutions can choose to participate.

2) **Performance funding has a positive focus** (it acts like a carrot not a stick). PF is designed to reward evidence of improvement rather than a punishment to penalize failure. The reward is shown as a budget supplement; funds are not taken away from an institution for poor performance or non-compliance.

3) **The apparent provision of additional state funding.**

Its introduction in 1979 for the 1980-1981 appropriations cycle appeared to be supported by additional state funds. In reality the situation was more blurred. Institutional budget requests for 1980-1981 included a performance funding supplement (which had not been included in previous years) in addition to the formula-driven sum. Although, when approving the budgets, the state legislature scaled down the total sums (or formula funding and the performance-related supplement combined) each institution gained more funding by opting-in to performance funding than they would have received if performance funding had not been part of the process.

4) **Institutional ownership of the policy.**

The policy has been strongly supported and owned by university/college presidents and senior administrators in institutions for several reasons:

(a) the planning process, prior to formal implementation in 1979, extended over almost five years and included campus pilot testing. Institutions were able to make internal policy adjustments and organizational changes to accommodate the phased introduction of performance funding;

(b) the "partnership plan" of the Performance Funding Project (1974-1978) has continued throughout all stages of implementation. Through THEC's Advisory Committee and Performance Funding Task Forces institutional representatives have been formally involved in discussions about policy development, particularly the deliberate shift of emphasis for the 1992-1997 cycle;

(c) the policy is reviewed by the THEC every five years with the opportunity for formal, institutional input to the review process;

(d) unlike incentive schemes introduced by other state funding agencies for higher education, there is no centralized earmarking of the funds for specific purposes: institutions have complete autonomy in their use of the performance funding supplement;

(e) the size of the funding supplement is sufficient to attract institutional interest and self-evaluation of performance but

not too large to distort or detract from formula-driven base funding;

(f) the policy is cost-effective. The financial return to institutions is greater than the costs incurred in administering the policy.

5) **Performance funding is non-competitive.**

Institutions are not competing against each other for additional funds but against their own previous performance levels and against achievement of their own goals. THEC's annual press release announcing the performance funding point scores stresses the non-competitive nature of the policy.

6) **The focus on instructional improvement.**

Performance funding initially focused on an improvement in teaching and learning, the primary mission on higher education, rather than performance in other areas e.g. research (for which THEC's funding formula had already included a token performance-related factor), administration, or systems management;

7) **Growing recognition has been given in the development of the performance funding criteria** and the scoring system to diversity of institutional mission (the participating institutions range from a community college of 2000 [Dyersburg State Community College] to a research university with 25,000 students [University of Tennessee, Knoxville]. An institution is evaluated in terms of mission

> achievement and contribution to the education of its own students, using internally-generated data to introduce instructional improvement and to demonstrate the achievement of institutional goals (Morrison, 1995).

These strengths found in the literature suggest that Performance Funding in Tennessee has been beneficial. The linking of funding and performance seems to be achieving much of its intended purpose.

However, its weaknesses are apparent as well. A continual challenge in any assessment initiative is influencing change. Academics, like people in most professions react negatively to change. The performance funding program, even as careful as the originators were in initiating this effort, has seen its share of criticism. In describing the climate at Tennessee Technical University soon after its choice to participate in the pilot project, Richard Dumont wrote that administrators and faculty "expressed strong and vocal skepticism and opposition to increased accountability in the guise of performance funding" (1980, p. 17). Much of the negative reaction can be attributed to reluctance to change. Peter Lorange (1985) identified three common blockages that inhibit change:

> Political Blockages- stem from the organization's internal power constellation, in which change may constitute a threat to the power of some constituents and an opportunity for others.

Myopic Blockages- these are caused by individuals who are trapped in traditional ways of doing things, and therefore think in terms too narrow for them to see the need for change.

Resource Blockages- a lack of relevant human resources, new technologies, or scarcity of funds can block innovative change (p. 451).

Political blockages were likely to occur because performance funding was culturally intrusive. In order to achieve intended results as conceived by the THEC, institutions needed to some degree to re-define and re-tool how they operated. This scenario had the potential to create political maneuvering. Myopic blockages were possible because most employees of any organization resist change because they are used to doing their job in a certain way. Performance funding threatened their traditions and preferences. Resource blockages were also likely because in order to meet some of the performance funding criteria, money would need to be spent on the front end of the endeavor. Accrediting programs requires an outlay of funds, as does obtaining test and survey instruments, not to mention the expense of hiring a qualified personnel to coordinate the activities. So, resistance to performance funding had to do with political, myopic and resource blockages described by Lorange.

Individuals within the colleges and universities were facing new ways of assessing the quality of higher education, as well as a higher level of accountability to the THEC. Even with the financial rewards of performance funding, some were concerned that the standards would be intrusive and could infringe on faculty autonomy. In the mid-1980s, a survey of twenty-three Tennessee colleges presidents

and Performance Funding coordinators showed that the most negative reactions to the Standards were related to the weight given to test performance and the use of accreditation as indicators of quality of education (Banta & Fisher, 1989). Serban agreed with this assessment and said, "the most challenging task related to the development and implementation of a performance funding policy is the clear definition and measurement of the objectives to be rewarded" (1997, p. 4).

Other weaknesses are apparent as well. Measuring performance indicators has the potential to become an administrative burden. Much energy, time and budget can be expended in data collection systems and assessment, while not directly influencing improved instruction (Ewell & Jones, 1996). On the other hand, there is the potential for institutions to devote themselves to instruction without investing adequate energy, time and budget to assess themselves in order to know if they are being effective in education. Quite possibly, institutions could follow a third path, that being assessing themselves half-heartedly simply to receive the performance funding allocation.

## Summary of the Literature Review

Accountability has been a major force in American higher education in the latter half of the 20th Century. Higher education institutions have been mandated to make improvements in their educational programs and services. The key for these colleges and universities has been improving their quality and earning back the trust of civic and public friends. The primary avenue for actualizing this call to accountability was the assessment movement. A variety of assessment tools were

developed and implemented which allowed colleges and universities to demonstrate the extent to which they were accomplishing their goals and objectives. The primary tools for accomplishing that were accreditation, general education and major field exams, as well as performance funding. Performance funding provided a link between funding and performance, which served as an incentive to make instructional improvements and thereby bolster institutional quality. While performance funding originated in Tennessee, its usage has occurred throughout the United States. Over twenty states are currently using performance funding or strongly considering it in the near future. Tennessee's policy measures how well public institutions fulfill a series of performance criteria. The points that are earned allow institutions to obtain an additional 5.45% of their E & G budget.

This review of the literature provides perspective on the history, intent, strengths, and liabilities of performance funding policy over the past twenty years. That understanding provides a basis for developing this research study to evaluate the effects of the Tennessee performance funding policy at WSCC over the past two decades (1979-1999).

# CHAPTER THREE

# RESEARCH DESIGN

## Overview

The research design provides the basis for exploring the effects of performance funding policy at WSCC over the past twenty years (1979-1999). In this chapter, a rationale will be given for why the case study method was used; the steps that were taken to gain access to WSCC, and the precautions taken to protect participants; and finally, the data collection/analysis methods used to answer the research questions.

## Rationale for the Case Study Method

The case study method was chosen to address this investigation because of its value in digging deep into the culture of Walters State Community College (Merriam, 1998; Yin, 1994). Yin stated that "case studies are the preferred strategy when 'how' or 'why' questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context" (1994, p. 1). Given the nature of this indepth evaluation of a state policy on a local community college level, the case study was an ideal research method. It provided multiple means of data including, documents, interviews and observations. The case study method allowed for face to face contact with college personnel in collecting data, thereby allowing the researcher to probe deep for information pertaining to the research questions. Finally, this method allowed for ongoing

analysis of the data. From the very start of data collection, the researcher was analyzing and organizing the data in order to answer the research questions.

## Case Study Site Access & Human Subjects Approval

Permission to conduct this research study was given by the president of WSCC. Prior to that approval, the researcher held a meeting with the president and the dean of planning, research and assessment to discuss the purpose of the study, as well as to agree upon precautions that would be taken to protect the identity of participants. The researcher agreed to maintain confidentiality of those interviewed. Because of this, pseudonyms were used in place of actual names. The approval from the chief executive officer was critical to gaining access to information sources, particularly since this was a case study. This research project was conducted with the approval of the Institutional Review Board of the University of Tennessee, Knoxville. All segments of this research project were preceded by the approval of Human Subjects Form B.

## Data Collection & Analysis

The researcher invested nine days in fieldwork on the main college campus in Morristown, Tennessee, personally collecting data from a variety of sources. The sources of information included documents, interviews, and observations to provide a broad range of data in which to address the research questions (Creswell, 1994; Merriam, 1998; Yin, 1994). Using the multiple data collection methods of obtaining documents, conducting interviews and observations provides an opportunity for triangulation (Denzin, 1978; Bickman & Rog, 1998). In describing the value of

triangulation, Bickman & Rog point out that it "reduces the risks of systematic distortions inherent in the use of any one method, because no single method is completely free from all possible validity threats" (p. 93). Inherent in the collection of data from all three methods will be the research questions:

- How has the performance funding policy affected Walters State Community College?
- Are the effects of the policy consistent with the intentions of the policy?
- What is the formal means by which performance has been integrated into the work of the institution?
- Has performance funding penetrated WSCC and become a part of the institutional culture?
- What have been the effects of performance funding policy reform that have had an impact on instruction, curriculum, student services, practices, programs and administrative function?
- Have the effects of performance funding changed over time?

In this study, data analysis took place simultaneously with data collection, data interpretation and the writing of the research report (Creswell, 1994; Marshall & Roman, 1989).

Tesch (1990) refers to the process of reducing the data into patterns, categories, or themes as de-contextualization, and re-contexualization as the method of interpreting it (p. 97). Creswell (1994) refers to this process as "higher level" analysis and critical to understanding the emerging data (p. 154). In this process, the

researcher took apart the many small pieces of information, to achieve the goal of seeing an emerging reconstruction of patterns and themes. This provided important insights into the effects of Performance Funding at Walters State Community College.

Document acquisition was a vital stage of data collection that took place at WSCC, which helped the researcher begin preliminary analysis to answer the research questions. Unfortunately, documents pertaining to performance funding at WSCC prior to1986-87 were thrown away years ago. However, subsequent to 1987 specific documents that were acquired included performance funding reports, strategic planning and continuous improvement reports, accreditation self-studies, planning progress reports, mid-year performance funding reports, student opinion surveys, planning inputs documents and a general education review (Appendix C). A primary value of these documents was to address the research questions and corroborate evidence from other sources (Yin, 1994). The document analysis made it apparent the degree to which WSCC had adopted the intent of the performance funding policy. It also portrayed how performance funding was integrated into the work of the institution. Documents also provided evidence of the policy effects on instruction, curriculum, student services, practices, programs, and administrative functions. This analysis also indicated, through documents, how deeply the policy penetrated the heart of the institution over time (1979-1999).

Before proceeding, authenticity and accuracy of the documents was considered. "It is the investigator's responsibility to determine as much as possible

about the document, its origins and reasons for being written, its author, and the context in which it is written" (Merriam, 1998, p. 121). To determine authenticity, a series of questions was asked about each document source (Clark, 1967):

- What is the history of the document?
- How did it come into my hands?
- What guarantee is there that it is what it pretends to be?
- Is the document complete, or originally constructed?
- Has it been tampered with or edited?
- If the document is genuine, under what circumstances and for what purposes was it produced?
- Who was/is the author?
- What was he trying to accomplish? For whom was the document intended?
- What were the maker's sources of information? Does the document represent an eyewitness account, a secondhand account, a reconstruction of an event long prior to the writing, an interpretation?
- What was or is the makers bias?
- To what extent was the writer likely to want to tell the truth (p. 62)?

The documents were coded into categories to make the analysis and interpretation easier to accomplish (Merriam, 1998). Additionally, by using systematic content analysis, the researcher sought to guard against possible biases that

may be built into the examination (Babbie, 1990). A document summary form (Appendix A) was used for each item collected during the study. This form was attached to each document acquired, which helped summarize the context, explained the significance and gave a brief overview of the content (Miles and Huberman, 1984). This information made the observations and interviews more meaningful because the researcher had on paper strong evidence on what was stated regarding Performance Funding at WSCC.

The goal of the interviews was to acquire data that presented participants' perceptions and recollections of performance funding policy that would provide a greater understanding of the dynamics of this phenomenon at WSCC and subsequently contribute answers to the research questions. Of paramount importance was to determine if the intent of performance funding was understood, and if so, what the effects were and how deeply it was engrained into the institution. These interviews also made it clear how the policy was integrated into the work of the institution. Standardized, open-ended questions (Appendix D) allowed each participant to answer the same questions in their own words (Patton, 1990). Interviews were conducted with the following administrators:

- President
- Vice President for Academic Affairs
- Assistant Vice President and Dean of Planning, Research and Assessment
- Vice President for Business Affairs
- Dean of Greenville/Greene County Center for Higher Education
- Dean of Evening and Distance Education
- Director for Evening and Distance Education
- Director of Developmental Education
- Director for Planning, Research and Assessment

The researcher conducted thirty-one interviews including administrators, division deans, as well as at least one faculty member in every academic area. These academic areas included:

- Behavioral and Social Sciences
- Business
- Developmental Education
- Health Programs
- Humanities
- Mathematics
- Natural Science
- Public Safety
- Technical Education

Pseudonyms were used in place of the real names of participants. This list is included in Table 2-4.

Faculty members were selected for interviews by way of the network method of sampling. This process involved a successive participant such as a faculty member being recommended by another member of the WSCC faculty or administration (LeCompte and Preissle, 1993). Faculty who served on planning or advisory committees related to performance funding were also interviewed. Additionally, site coordinators from two of the three satellite locations were interviewed.

Immediately following each interview, the researcher completed a contact summary sheet (Appendix B) that was conceived by Miles and Huberman (1984). This contact summary sheet allowed the researcher to write down the main themes,

**Table 2-4 Interview Participants**

| Interview Category | Interview Number | (Pseudonym) |
|---|---|---|
| Administrators | 1A | Bud Owens |
| | 1B | Lauren Ricketts |
| | 1D | Neil Brown |
| | 2B | Steve Friedline |
| | 3A | Bill Allen |
| | 4B | Timothy McQueen |
| | 5B | Thomas Boling |
| | 5C | Barb Davis |
| | 5D | Katy Downing |
| | 5H | Angela Constable |
| Academic Division Deans | 2A | Lisa Dyer |
| | 2C | Betsy Barth |
| | 2D | Andrew Campolo |
| | 3B | Martha Zensen |
| | 3C | Mark Perez |
| | 3D | Bill Fink |
| | 3E | Kelsay Poulos |
| | 6E | Scott Adams |
| Faculty | 4A | Anthony Cruise |
| | 4C | Willis Frazier |
| | 4D | Ruth Gentry |
| | 5A | Bethany Zuck |
| | 5E | Amy Bruner |
| | 5F | Julia Fowler |
| | 5G | Bruce Elliott |
| | 5I | Natalie Green |
| | 6A | Palmer Crabtree |
| | 6B | Cliff Andrews |
| | 6C | Jennifer Buck |
| | 6D | Gene Parks |
| | 7A | Wendy Boehmer |

issues, problems and questions related specifically to the research questions that were generated as a result of this interview. Since this sheet dealt primarily with the research questions, it held great value in the analysis of the data during the collection stage, as well as later when all sources were being evaluated.

The interviews were audio taped and transcribed. Two tapes were transcribed by students in the transcriptionist program at Knoxville Business College, while the researcher completed the rest. Each of the transcriptionists signed a confidentiality statement, agreeing not to divulge any of the material to anyone. These forms, along with the tapes, are being stored in a locked file drawer in the researcher's office. One of the interviews was not transcribed because the tape got jammed in the recorder. In this case, the contact summary sheet was used to recall the responses of the participant.

These transcriptions provided the researcher with a very accurate account of the interviews (Yin, 1994). All participants agreed to being taped, and those tapes and the contact summary sheets were used to collect as much information as possible. The notes taken from the interview that did not get recorded properly were kept with the tapes to assure the viewpoints of these participants were considered in the analysis and interpretation stages. The researcher used member checks to allow those who were interviewed to later review the transcripts from the tapes to assure that they are a valid representation.

Observation was another data collection source used to answer the research

questions. This observational data helped the researcher understand and describe how performance funding has impacted WSCC through the people closest to the institution, the employees (Patton, 1990). The observational role was researcher participant, one "who participates in a social situation but is personally only partially involved, so that he can function as a researcher" (Gans, 1982, p. 54). On one hand the researcher wanted to get an insider's perspective; on the other hand he needed to remain an observer to properly describe what took place in the case setting (Patton, 1990).

The researcher invested nine contact days on the campus observing, interviewing and collecting documents. This amount of time was adequate in getting to know the college, as well as the people and departments which dealt with performance funding. Much of the observation took place as the researcher was interacting with college individuals during document acquisition as well as in the interview process. Through this avenue of data collection, the researcher noticed not only how people responded verbally in their interviews, but also through their non-verbal communication. Their promptness in arriving to the interview on time; the degree of freedom they felt to be honest; the ease with which they spoke; and the degree to which they were willing to think about the questions served as a subtle, yet powerful source of information.

These observations helped substantiate information from the other sources of interviews and documents to create a triangulation outcome that proved helpful in

understanding how Performance Funding policy has affected Walters State Community College over the past twenty years (1979-1999).

## Summary of the Research Design

This research design provided a valid basis for conducting this study at WSCC. Appropriate access to conduct this study was gained in advance of the study from the University of Tennessee Institutional Review Board, as well as the president of Walters State Community College. The case study method was chosen for its value in investigating the contemporary phenomenon of performance funding in the real-life context of WSCC. The multiple data collection methods of documentation, interviews and observations provided the desired triangulation effect, which added validity to the study. This design allowed for a well-rounded compliment of data to be analyzed for the purpose of determining answers to the research questions.

# CHAPTER FOUR

# RESULTS

## Overview

The purpose of this study was to evaluate the performance funding policy as it has been implemented at WSCC and to explore those factors that shaped any effects on the campus since 1979. The results of this case study, first of all, highlight the cultural and historical perspectives of performance funding as it has been derived from an analysis of the data. Secondly, substantive results of the study are provided based upon the research questions. These results provide the basis for the findings, conclusions and recommendations that comprise Chapter Five.

## Cultural and Historical Results

The early impressions of WSCC's implementation of performance funding were very positive. After the first few visits to the campus, the researcher grew skeptical of how receptive everyone seemed to be towards the policy. The early interviews with administrators and division deans caused the researcher to wonder if they were coached as to what to say and how to say it. It all sounded too good to be true. As the data collection continued over the course of the next two months, this skepticism dwindled as the researcher began interviewing faculty members. They offered balanced perspectives, giving both positive and occasionally dissenting opinions. This pointed out an early finding, that being a difference in knowledge that faculty had, compared to division deans and administrators. While faculty members

were aware of performance funding, they did not exhibit the same level of understanding as those in administrative roles at the college.

In spite of these differences in knowledge, all categories of employees were aware of the policy, and acknowledged that it was important to WSCC. For example, while not necessarily knowing all the particulars, grounds crewmen, if asked would be able to give a basic description of the importance of quality at the college. Institution-wide, while knowledge of performance funding was not perfect, most saw it as a mechanism for improving quality, obtaining extra funding, and for its importance in demonstrating value to the legislators, the general public, and other institutions.

A significant finding was that performance funding was just one part of an overall institutional effectiveness program. It did not stand alone as the only mechanism for improving quality. In the 1995-1997 WSCC Self-Study, it states,

> At Walters State the planning and evaluation system for educational activities is systematic, broad-based, interrelated and appropriate to the college. For example, Walters State participates annually in the THEC Performance Funding program. This program stimulates instructional improvement and student learning by providing incentive funding based on points scored when a college submits evidence of meritorious institutional performance and/or making responsive improvements (1997, Section 3, pp. 2,3).

The interviews, documents and observations consistently reinforced the fact that this college was serious about quality improvement. For example, on the wall of every

office on campus was a framed copy of the institutional vision, campus compact, mission, values and strategic goals. This framed document served as a visible demonstration of the commitment at WSCC for having a clear sense of identity and direction for the future. Their vision statement reads:

> Walters State Community College shall be a regional college of choice with twenty-first century campuses, dedicated to excellence in teaching and service, guided by shared values and principles, and inspired to exceed student and community expectations.

The president of WSCC was credited by many for his overall emphasis on quality improvement. His strong belief in institutional effectiveness, along with his influential style, ability to communicate, and long tenure as president caused performance funding to become integrated into the culture. Under the president's leadership, a committee of forty-six WSCC employees made up the Strategic Planning and Continuous Improvement Council. This group developed and implemented a five-year strategic plan that included performance funding. The influence of this group kept quality improvement measures such as performance funding in the forefront of everyone's thinking.

Another key to the penetration of the policy into the WSCC culture was the role of the dean of planning, research, and assessment. Faculty and administrative colleagues informally gave him many honorary titles such as performance funding; guru, coach, czar, conductor, and cheerleader. These characterizations demonstrated the level of regard people have for the dean's knowledge and experience, exhibited

not only in regard to performance funding, but also with the overall institutional effectiveness program. A part of this comprehensive program included faculty involvement. The idea was for faculty members to assist the division deans and administrators to take performance funding into the classroom where it could impact student learning. This was the ideal, and worked well in most academic divisions, but didn't completely penetrate in some areas.

Many of those interviewed spoke of the way performance funding was woven into the fabric of the institution, almost to the point where people weren't aware of it. The natural process of quality improvement became the norm rather than the exception.

The influencers that can be credited with the integration of performance funding into the culture at WSCC were administration, division deans, and faculty members. It took all three categories to make an impact with the policy. No one category was more important than the other, although there was evidence that the organizational reporting structure provided a means of keeping the flow of information moving in an appropriate direction.

## Results Based upon the Research Questions

The research questions that were established early in the development of this study serve as the reference point in sharing the findings. These research questions were:

- How has the performance funding policy affected Walters State Community College? (Q1)

- Are the effects of the policy consistent with the intentions of the policy? (Q2a, Q2b, Q2c, Q2d, Q2e)
- What is the formal means by which performance funding has been integrated into the work of the institution? (Q3)
- Has performance funding penetrated WSCC and become a part of the institutional culture? (Q4)
- What have been the effects of performance funding policy that have had an impact on instruction, curriculum, student services, practices, programs and administrative function? (Q5)
- Have the effects of performance funding on WSCC changed over time? (Q6)

The findings from this study are organized according to these research questions.

***Q1 How has the performance funding policy affected Walters State Community College?***

In considering the first research question on the effects of performance funding at WSCC, the most important and obvious was that this policy became a part of the institutional culture. Evidence of this finding was located in a variety of documents such as strategic plans, accreditation self studies and a recent general education review. Strong evidence of the integration of performance funding into the culture of WSCC was found in the 1995-1997 WSCC Institutional Self-study. A major component of Section III, Chapter Three, on the area of institutional effectiveness consists of performance funding. In this document it states, "The

Performance Funding program is a comprehensive example of an institutional effectiveness process comprised of defining a purpose, formulating educational goals, developing and implementing evaluation procedures, and using the results of the evaluation for improvement (WSCC, p. 5). In this document, they list each of the ten performance standards, indicating how WSCC has been responsive and used them to make improvements. The college also ties performance funding into their strategic goals and actions, which is a part of their strategic plan. WSCC has made this a major part of their planning process with the TBR, which is a five-year cycle for Tennessee community colleges. Specifically, in Goal 5-5 the college states, "Improve instructional programs, student outcomes, alumni and student perceptions, and related evaluations associated with THEC Performance Funding criteria" (1997, p. 2).

Further documentation was found which demonstrated the extent to which performance funding had influenced institutional culture. In a special 1997 General Education Review, WSCC stated that the goal was to improve general education. The institution declared general education as "being of foremost importance." It's important to note that the impetus for this Review was fulfillment of a performance funding criterion on general education. This Review followed a low scoring year on the general education component of performance funding. WSCC used this opportunity to take a step back and do a complete assessment of their general education program.

Key administrators saw performance funding as a necessary part of the overall institutional effectiveness program. Throughout the thirty-one interviews that were conducted, everyone had heard of performance funding and knew it was important to the institution. While this awareness is an effect that is noteworthy, it is important to note that some faculty members could recall very little about the details pertaining to performance funding. Faculty member Cliff Andrews said, "We know who runs it, who controls it, but we don't know the big picture." Unless faculty members had been on a special committee or task force reviewing performance funding results, they were not as knowledgeable about the policy and tended to stay focused on their primary task of teaching. On the other hand, administrators and division deans were for the most part very clear on the purpose, intents, as well as details related to the indicators, reporting and the results that shape the institution and impact on the budget.

The difference between the two groups could be attributed to the proportion of time they spend on a day-to-day basis in matters involving performance funding. Administrators mentioned that it was difficult to go through their normal meeting discussions without hearing some mention of performance funding. Division dean Scott Adams said, "Every Wednesday, fifty out of fifty-two weeks of the year, we have our deans meeting and the underlying theme is performance, not just for funding." This frequency of exposure to the policy built a strong understanding on the part of administrators. They also were the ones who tended to implement

strategies and fill out reports relative to performance funding, so that naturally built a strong basis of knowledge about the policy.

Performance funding policy was generally perceived as a healthy process for WSCC. It served as an incentive to encourage them to take a critical look at themselves. Administrator Bill Allen said, "performance funding is valuable, it is a stimulus to add value to our college, to improve institutional effectiveness." An example was the long-standing indicator of accreditation. Performance funding points were given according to the number of accreditable programs that were accredited. WSCC, through the years, got to the point where all of their accreditable programs were accredited. The incentive propelled them to gain accreditation, but in the process, they made improvements. Several faculty members mentioned that an immediate side benefit of pursuing accreditation was that it forced WSCC to put money into their programs to assure that they would get approved. They felt that the benefit derived from accredited majors provided students with stronger academic preparation, which would have the long term benefit of having more competent graduates going into the work place. Their belief was that better educated graduates also provided the State of Tennessee with a positive return on their investment.

Some participants admitted that while performance funding was a healthy process, it had the potential to pressure an institution to perform for the sake of the money, thus making it into a game. The temptation was there to respond to calls for improvement by doing whatever it took to get the most points possible in order to benefit from the extra funding. Cliff Andrews questioned the idea of preparing

students to take the general education standardized test to meet the general education area of performance funding. He said:

> We had a couple of committees that were established to look at how we could improve our CollegeBase scores. One of the things that was brought up by one of our head administrators was teaching courses based on the CollegeBase material. The person thought it would help our CollegeBase scores go up. This is teaching to the test. I'm not a strong supporter of teaching for standardized tests.

While this idea was not implemented at WSCC, another less controversial plan was put into place following a lower- than- normal scoring year on the CollegeBase exam. An institutional task force devised a strategy to emphasize the importance of the exam in scheduled review sessions with graduating students. Apparently, in previous years, students weren't taking the exam seriously. Faculty member Wendy Boehmer said, "the emphasis was not for us to change the way we teach, but to let the students know the importance of taking this test and trying to do well on it." During the review sessions, WSCC provided handouts on how to do well on the test. They also gave encouragement for the students to do their best so that WSCC could score better. The college even offered incentives in the form of cash scholarships to top scoring students. In these review sessions, while the college avoided the temptation of teaching to the test, they did make it clear that student performance and the results were important. Faculty member Bethany Zuck reflected on the idea of these review sessions by saying, "rather than trying to change the system to fit what we're doing,

we're trying to fit what we do into the system." While it was easy for this faculty member to criticize the approach, changing the system was complex, especially in the area of general education assessment. WSCC realized that if students weren't taking the exam seriously and doing their best, it didn't seem prudent to change the system. Even though the review sessions appeared to some as coaching for the test, WSCC believed it needed to do all it could internally to assure a good assessment of student learning. While the review sessions did not violate any THEC standards, it did point to an example of cosmetic change resulting from performance funding policy at WSCC.

Another of the effects of performance funding on WSCC related to the motives that served as incentive for doing well (Figure 4-1). Two of the obvious motivators for participation were institutional improvement and money. However, a third incentive emerged, that being prestige. While the idea of prestige may be a natural outcome of doing well on the other two motives, it's noteworthy that more interview participants indicated the idea of "looking good" or "not looking bad" as a

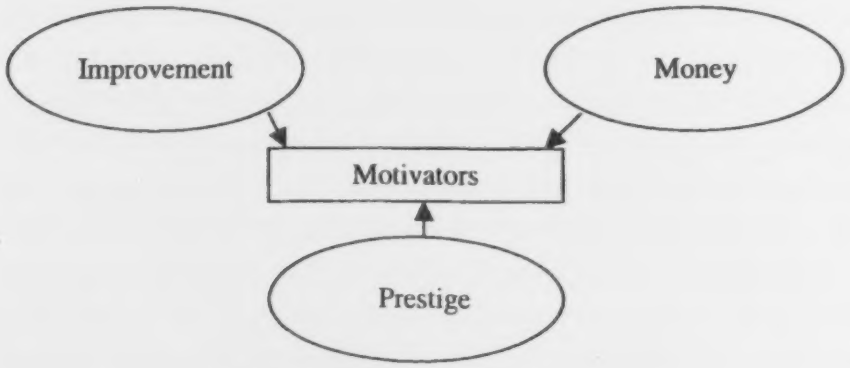


**Figure 4-1 Performance Funding Motivators**

driving force than institutional improvement or money. This pressure for prestige was a result of a recent decision on the part of the TBR to release quantitative and qualitative data in the form of report cards to the general public. These report cards compared Tennessee institutions to each other which resulted in a more competitive environment across the state. The state-wide report cards drove the need to compete and look good in comparison with peer-institutions.
Because WSCC has traditionally done well on the performance funding areas, it has given them a sense of accomplishment and pride. It provided proof to the public and legislators that they constantly strive for quality.

This institution as well as others in the State of Tennessee benefited from the visionary leadership at the THEC in the mid-1970s, which anticipated the need for the demonstration of improvement and accountability. Two veteran administrators (Friedline & Allen) at WSCC noted that the performance funding indicators used in the early 1980s served as good preparation for the new SACS criteria that were released a few years later. Bill Allen said, "I think performance funding was ahead of its time as far as accreditation standards and helped stimulate change. I think they meshed real well." This effect gave Tennessee public institutions like WSCC an advantage over other colleges and universities in Southern states that did not have performance funding in the early 1980s.

A number of administrators that worked closely with performance funding were concerned that performance funding in the 1990s had become bureaucratic, too time consuming, and more expensive to operate over time. The volume of

administrative duties associated with compliance to the policy has forced WSCC to expand the size and budget of the office of planning, research and assessment. Division dean Kelsay Poulos stated that performance funding was "tremendously time-consuming with very little reward for all the work." However, through the years, WSCC did whatever it took to do well because the performance funding money became more and more important to them especially since the enrollment-based formula was not funded at 100%. Therefore they felt that they had to score well on performance funding in order to meet minimal institutional budget levels. Those closely involved in the coordination of the policy preferred a simplified process and/or a higher percentage of money for the effort.

In summary, the effects of performance funding are as follows:

- The policy became an integral part of the institutional effectiveness program
- Performance funding continually kept general education as a focal point in improving the college
- The policy prepared WSCC for new SACS criterion-based standards that were released in the mid-1980s
- The college achieved new levels of accreditation leading to higher quality instruction
- The motivations for doing well were: improvement, money, and prestige
- The policy has developed into a bureaucratic, complex, and expensive program to administer

*Q2 Are the effects of the policy consistent with the intentions of the policy?*

The intentions of the performance funding policy as highlighted in Chapter One were numerous, and each was considered in light of this case study at WSCC (Bogue, 1980, pp.4-5).

The first stated intent was:

- *Q2a Be professionally acceptable, striking the right balance between the need for institutional autonomy and the need for state-level review.*

The majority of participants believed this balance has proven true through the years. Administrator Barb Davis said, "Autonomy is alive and well under performance funding because institutions can arrive at meeting their objectives on the ten points in different ways." Therefore, since it was optional and the institution chose how to address the indicators, this gave them a sense of autonomy. Division dean Lisa Dyer stated, "It does encourage you to set benchmarks, and it requires you to actually do a self-assessment and look at yourself, and you pretty much have to self-identify. It doesn't take somebody else to know whether you met the benchmark or not."

With that said, certain accepted general education assessment tools exist. The THEC approved some specific nationally-normed exams that were acceptable for institutions. Administrator Timothy McQueen thought standardized exams were a limiting factor when he stated, "anytime that you centralize an instrument like that

and have it address this many and varied institutions, it kind of makes you conform a little bit more to the norm than maybe doing some things as an individual institution you would like to do." A division dean (Barth) shared concern that sometimes creativity was stifled because the process forced you to think through the process before proceeding because you knew it was going to be measured. A high ranking administrator (Friedline) agreed that the policy may be slightly confining, but he didn't sense that faculty had been negatively confined in their responsibilities.

The second intent was:

- *Q2b Encourage institutions to exercise initiative in developing performance measures on which they might eventually be funded.*

Long-time administrator Steve Friedline recalled the early days of performance funding at WSCC and the involvement of faculty in developing exit examinations for students. Upon reflecting he stated, "In order to gain points early on we had the option not to do anything in that area, or we had the option of either finding an exam, or if none were available, working with other institutions to design one." This administrator went on to describe how department heads came together with colleagues from across the state to develop these program specific exit examinations. He thought the process was very helpful not only to WSCC, but also to institutions statewide. He said it was not only "a very professional, wholesome process, but it was also enriching in terms of giving our professors an opportunity to engage in curricular matters with colleagues from other institutions." He reflected that the process involved a lot of work, but that it was worth all the effort because it

enabled the faculty to see what other institutions were doing. Plus, it gave faculty an opportunity to improve WSCC.

A number of participants in this study recalled being involved on committees to select a new general education test. Those participating in this process were aware that selecting the best-suited exam would not only help WSCC reflect the quality of student knowledge, but also would benefit the extent of funding they could get in that realm of performance funding.

The third intent was:

- *Q2c Promote candor in the analysis, evaluation, and application of performance results.*

There was evidence primarily from division deans that a great deal of assessment, discussions, and decision-making were taking place as a result of performance funding. This provided the leverage for interdepartmental and intradepartmental communication to take place on an ongoing basis. Division dean Betsy Barth said, "it has caused a lot of conversations to take place across disciplines, and I don't know if they would have taken place before." Division dean Andrew Campolo said that it was talked about all the time, and said, "It doesn't just sit on a shelf." It was discussed in administrative, faculty, and staff meetings. Another division dean (Zensen) said, "it provides an incentive to do the things that we might or might not do otherwise." When referring to the evaluation and application of performance funding results, another division dean (Dyer) said that they constantly used little tidbits of information or ideas to solve a problem. An administrator

(Owens) gave an example of the business management program test results from a few years ago. He said:

> I remember not too long ago, the department offered those tests and the results that came back were not what the department had expected out of their graduates. So, they went back to their curriculum, and they said, students are not getting these concepts. They put a list of these concepts together, went back to the classroom, back to the teachers, and back to the curriculum and made modifications and changed those.

Willis Frazier, a faculty member in the business management program recounted the same instance and added detail to one of the concepts that students weren't understanding, that being the subject of accounting. He said:

> I was appalled that we could be teaching accounting and they could be missing such a basic question, which is just pervasive to the entire subject. Through the evaluation and result, basically I changed the entire focus of how I teach accounting, especially, Principles of Accounting I. And that whole focus has been used in my lectures ever since.

Overall, the majority of participants were most aware of the general education examination and the ongoing attempts to improve student performance on this instrument. While administrators continuously worked closely with performance funding, the faculty involvement was more cyclical, responding when there were problems. Bruce Elliott, when reflecting on the role of faculty members' involvement in performance funding said, " it's only when you are forced to address those issues

that you participate and integrate them." In the history of the policy at WSCC, this area of general education provoked the most effort to take negative outcomes and analyze, evaluate, and create solutions within the educational system.

The fourth intent was:

- *Q2d Performance funding would enhance institutional quality and instructional improvement.*

Faculty member (Elliott) quite simply stated, "I see it as a set of things that gently nudge faculty in a direction to improve quality." Willis Frazier, a professor at WSCC, said, "Performance funding makes us focus on continuous evaluation and improvement." The encouragement of quality and standards, as well as the financial incentive for achieving those benefited not only the institution, but more importantly the quality of education for students. It was apparent from the interviews and documents that performance funding caused a lot of examination of the curriculum and encouraged faculty members to improve the classroom teaching-learning process. A division dean (Barth) confidently exclaimed, "We have made, what I would consider some great strides in moving our general education curriculum forward. I think it is a strong one." An administrator (Owens) added that, "there is no doubt in my mind that performance funding has made an impact in many areas of the academic program with regard to quality and initiative. It has been a very serious motivator and a very helpful motivator." Whether the change has been major or minor, performance funding has encouraged instructional improvement and contributed to the overall institutional effectiveness of WSCC.

The fifth intent was:

- *Q2e Provides the citizens of Tennessee, the Executive branch of state government, the legislature, education officials, and faculty with a means for assessing the progress of publicly-funded higher education.*

Participants in this study believed that the implementation of performance funding results through the years enhanced credibility to civic and public friends. Mention was made in numerous interviews that the whole college system had taken a beating from the public opinion perspective. The general public interest in the results from a consumer standpoint was one thing, but at a deeper level, the policy was providing justification for general funding from the state. Division Dean Bill Fink stated, "I think it gives the whole community college system some credibility. I think it gives us some things we can go to the legislature and say we're doing what's expected, plus this." An administrator stated that in a period of time when state funding was such an issue, performance funding was a means to prove their effectiveness to those in Nashville. However, at WSCC, performance funding was just one segment of a larger institutional effectiveness plan.

An admonition came from a high-ranking administrator in stating that some stakeholders may place too much emphasis on the performance funding process. This person thought that while performance funding was a valuable quality enhancement tool, it was not the only one. There were other measures of institutional quality that WSCC used.

*Q3 What is the formal means by which performance funding has been integrated into the work of the institution?*

Performance funding has been integrated into WSCC by design. The president of the institution was intentional about making performance funding an integral part of the overall institution. An administrator (Owens) shared that the president "is a big believer in planning, assessment, and using those to make improvements. He has designed processes, structures, and committees that reflect that part of our culture. He is very unique in this way. Most colleges do not have the cohesive connections for quality improvement that include performance funding." Not only is this seen through his enthusiastic support of performance funding, but also through his endorsement of other quality improvement endeavors such as Management by Objective (MBO), and the Tennessee Quality Award (TQA), which uses Malcolm Baldridge standards. Even the smallest of indicators represent a president totally committed to quality. An example is that the president's namebadge has a ribbon hanging from it with the phrase, "exceeding expectations."

The person that was credited most frequently by participants as having a key role in the implementation of performance funding was the dean of planning, research and assessment. This dean carefully crafted an institution-wide effectiveness program that included performance funding among other things. The dean, along with an assistant, were the administrators of this program that encompassed the entire campus. They made sure that everybody fulfilled responsibilities and that timelines were met. Other campus administrators who were involved included the vice

president for academic affairs and the vice president for business affairs. Academic division deans were also involved in carrying out the implementation of performance funding. A division dean (Zensen) shared that the role of people at that level "was instrumental because they are the ones who have to carry out whatever change is necessary to cause us to do well, or maybe they are responsible when we don't do so well." There were various ways division deans handled this responsibility. Some did the work themselves, while others involved those in their divisions.

Faculty involvement occurred on a small scale through ongoing committees. Upon the request of the president, some faculty served on special task forces that dealt with unique issues. The perception of the majority of faculty members was that performance funding was more administrative and a top-down kind of initiative. However, most faculty that were interviewed agreed that a lot of people had been involved in performance funding through the years. Bud Owens explained, "We don't integrate our faculty into performance funding. We try to give performance funding to help them do what their tasks are responsible to do." He described this approach as transparent, "so some faculty don't even know that performance funding is involved when they are going through the process, even though it is." This comment revealed a hidden quality of performance funding in that it was integrated into the institution in such a natural way, that employees weren't always aware of it presence.

*Q4 Has performance funding penetrated WSCC and become a part of the institutional culture?*

Performance funding was a regular topic around campus. The president was viewed by many as the leader and communicator of this initiative. In his remarks, he said, "if we've done anything here at all with performance funding, we've made sure that our faculty and staff know about it, understand it, and participate in the process."

Results of the interviews showed that two-thirds of those participants in this research study believed that performance funding had penetrated and become a part of the institutional ethos (Table 4-1).

A division dean (Poulos) said, "It can't be done out of one office. The institution and its different units have to carry it forward." Another division dean (Barth) used the analogy of kudzu, in that performance funding intertwines throughout the campus. Most of these individuals felt it was a part of their job to

**Table 4-1 Performance Funding Penetration**

| | Faculty | Division Deans | Administrators |
|---|---|---|---|
| **Penetrated throughout; a part of the institutional culture** | 4 | 8 | 8 |
| **Penetrated to a certain level; somewhat a part of the culture** | 4 | 1 | 0 |
| **Not penetrated; only top level administrators are involved** | 3 | 0 | 0 |
| **Don't know** | 2 | 0 | 0 |

assist the implementation of the policy. However, one division dean said that the penetration typically stops at his level unless the professors in that area are involved on one of the committees. Of those ten individuals that did not feel it had penetrated throughout WSCC, nine were faculty members. Four of those nine faculty members thought there was some penetration but not on an ongoing basis which reached down to the faculty level. A current faculty member at WSCC and former president of another community college gave an interesting perspective about faculty involvement with performance funding. This faculty member (Elliott) said, "most faculty don't wake up in the morning dreaming about performance funding". This professor went on to say "as a faculty member, your professional life, most of your work is wrapped up in your discipline, preparing notes for class, and spending time with students. Only when you as a faculty member are forced to address those issues regarding performance funding, do you participate and integrate them." This faculty member theorized that, "there is a causal disconnect between the prompting that you get, and what you have implemented and you forget why." Another faculty member mentioned that the reason some individuals were not very aware and involved in performance funding was because of off-campus clinical responsibilities. This occurred because nursing professors were pulled away from the regular flow of information and involvement on committees.

All of the administrators interviewed noted that performance funding had penetrated the campus. Most of them sat in on meetings on a weekly basis which

frequently mentioned matters pertaining to performance funding. Therefore, this constant flow of information kept the topic fresh in their minds.

The documents also provided evidence that performance funding had penetrated the college community (Appendix C). The strategic plans, self-studies, performance funding reports, and general education review documents were integrated into the campus research, assessment, and planning processes.

***Q5 What have been the effects of performance funding policy that have had an impact on instruction, curriculum, student services, practices, programs and administrative function?***

- *Performance Funding Effects on Curriculum and Instruction*

The effects of performance funding have been numerous. The most commonly mentioned effect was that it gave the impetus for continual review of the general education curriculum and instruction. In 1997, a general education self study was conducted to better understand how WSCC was meeting its objectives. Part of the review was to help develop the curriculum and instruction to better educate students and develop their critical thinking skills. Another significant part of the review was based on trying to find a nationally-normed general education exam that was a good fit for WSCC. A couple of different exams were used, including the ACT-COMP and the CollegeBase.

Continuous questions arose about these general education exams as valid measures of what students learned at WSCC. The content of the WSCC courses did not necessarily coincide with the exams and faculty were reluctant to "teach to the

test." Also, students graduating with technical degrees had to take the same general education exam as liberal arts graduates who had twice as much general education in their curriculum. That combined with the fact that most technical degree-bound students took the majority of their general education in their first year put them at a relative disadvantage in being able to score as well as liberal arts students on the exam. There were also concerns about giving the exam only to graduating students. That timing was not considered best for a couple of reasons:

- Graduating students took this exam knowing it did not count towards their grade point average and would not impact their ability to graduate. Therefore, students had a tendency not to take it very seriously.
- Some of WSCC's best students attended, but transferred to a 4-year college or university before graduating. Therefore, that group of students who were educated at WSCC, but transferred before obtaining the associates degree were not included in the testing group. Participants mentioned that it was disheartening to educate these sharp students but not to be able to include them in the data collection.

There were other academically-related effects. In a Performance Funding Report from 1987-1988, the management/office administration department and the accounting department made note of corrective action steps related to teaching techniques to reinforce concepts that were essential in that field professionally, as well as on the exit test. One such weakness that was identified in a major field exam

was that students were not performing well on a segment of a test about marketing strategies. The corrective measure was:

> Add computer simulation where students run a business to address marketing strategies (Performance Funding Report, 1987-88, p. 12).

This weakness was addressed and the college found that students performed better in following years on that aspect of the test.

Faculty member Willis Frazier talked about how performance funding helped him identify a problem in his curriculum and come up with a corrective action step. He said:

> We give these major field examinations to management students and one of the questions was missed by almost everyone. I was really appalled that we could be teaching accounting and they could be missing such a basic question, which is just basically pervasive to the entire subject. Through the evaluation and the result, basically I changed the focus of how I teach Principles of Accounting, especially Principals of Accounting I. And that whole focus has been used in my lectures ever since.

This continual process of assessing programs and services was repeated over and over in the documents. Faculty members being involved in the process helped cause legitimate change through new teaching techniques, new or different courses, and even field trips.

- *Performance Funding Effects on Student Services*

Performance funding also affected student services. Data available based on student and alumni surveys was used to help address student satisfaction. Several examples were mentioned that demonstrated the use of performance funding results to improve student services. The first was a change in registration procedures to allow a smoother process for students seeking to return the next semester. The second example related to services to students who attended satellite campuses. The feedback from students indicated that those non-main campus individuals needed more attention than they had previously received. Therefore, WSCC started offering more counseling, advising, financial aid, and tutoring services. Division Dean Lisa Dyer, in speaking of this change said, "I think that it did drive us when we had the off-campus ventures or our campuses in other areas, to try to improve student services." The third example was that performance funding data also caused WSCC to be more deliberate about placement rates into jobs. WSCC responded and offered students more assistance with career planning and placement.

- *Performance Funding Effects on Practices*

Some institutional practices changed as a result of performance funding. It caused a lot of examination to take place on the academic side of the college. Division Dean Betsy Barth noted that, "It has caused a lot of examination of how you can do what you're doing in the classroom better, so students retain better. I think it has given the academic side of the house some cohesiveness and something to rally around." It also caused a lot of good faculty dialogue to take place across disciplines.

The outcome of that communication was that ideas were developed which helped improve the educational preparation of students. A number of professors shared that they labored over ways to improve their courses and creatively instruct students. Faculty, division deans and administrators also came together to establish study groups for graduating students who were preparing to take the general education exit exam. These groups were led by faculty to help students know the kinds of items that would be on the test. Students were encouraged to do their best so that WSCC could score as well as possible. Incentives such as give-a-ways and scholarships were offered to encourage students to do their best. While most faculty did not object to the practice, one faculty member, Bethany Zuck, thought it was a futile attempt to get more points, while ignoring the larger issue of improving quality.

- *Performance Funding Effects on Program*

Programs were upgraded as a result of performance funding. A good example of this was the accreditation gained as a result of performance funding which rewarded colleges that got previously non-accredited programs accredited. A long-time administrator, Bill Allen talked about the role of performance funding in encouraging the accreditation of obvious programs, but also those that aren't usually pursued. He said, "we're in the process to receive accreditation for our legal services program. We're not required to do that, but we are." This process of continually accrediting new programs and keeping existing programs in good status with the various associations had a positive impact on WSCC.

Customer service training also took place to help educate staff to be more service-oriented in working with the students. Administrator Katy Downing shared, "I think we've taken a more critical look at ourselves and done things we really need to do, things like customer service training to help people react and interact with people that we're serving." This emphasis on professional development helped to build a more sensitized, qualified and student-friendly campus community.

- *Performance Funding Effects on Administrative Function*

Performance funding policy also affected administrative practice at WSCC. It facilitated communication within and between departments so that the institution could move ahead in quality improvement. It also led to an administrative decision to increase the number of staff persons to serve as off-campus site counselors. The alumni and student surveys showed that these students at extension campuses needed more personalized help with advising, financial aid and counseling, so WSCC allocated resources and personnel to provide more attention. The pursuit of accreditation required administrators at WSCC to allocate revenue to programs that needed approval. The additional resources helped gain this accreditation, but indirectly it helped improve the quality of the programs, which benefited students. Another administrative practice change related to accreditation was more selective standards for hiring adjunct faculty. Once accreditation was being pursued, administrators had to hire individuals with the proper credentials.

Performance funding was not the only area of administrative reporting that WSCC had to submit to state agencies. The TBR also had a separate five-year cycle

that up until now (2000) was not in alignment with the performance funding five-year cycle. In the new 2000-2005 cycle, both the TBR and performance funding programs are scheduled to be in sync.

Another administrative consideration involved the funding portion of the policy. Performance funding generated revenue over and above the enrollment-based formula to help meet institutional budgetary needs. The chief financial officer indicated that the funds WSCC received through participation in this program were allocated to the general operating fund.

The workload associated with performance funding has been escalating in recent years. When performance funding first started the president and the vice presidents took care of making sure they did their best. As time advanced, what used to be fairly simple was now complex, and required WSCC to have administrative staff dedicated to this program. In recent years, two full-time employees, plus a secretary keep up with the performance funding program and other planning, research, and assessment efforts. Faculty member Bruce Elliott said,

> I would like to see it a little less cumbersome to administer. I'm not sure how to do that. I'm not proposing that I know the answer to that. It is very absorbing of the time that is involved, whether it's the University of Tennessee, East Tennessee State University or Walters State Community College. It's just very, very difficult.

***Q6 Have the effects of performance funding on WSCC changed over time?***

"Consistent," "gradual," and "evolving" were words used to describe how change took place throughout the history of performance funding at WSCC. Administrator Allen stated:

> I think we've seen a continuous, progressive number of changes. Right at the beginning when performance funding was introduced, it was more of just responding in the form of numbers. I think over the years, the performance funding process has matured and developed and so has its impact on the college. It became more of a continuous improvement process. I think it has positively impacted us. I think probably we'll see more out of it today than we did way back, because of the way it has matured and evolved.

A division dean (Barth) described the effects over time of performance funding and their overall institutional effectiveness plan as a well-oiled machine. He added, "I really, truly believe that if performance funding went away, a lot of what it has caused to be in place would stay. Because it works."

A long-time faculty member (Elliott) said,

> If you stand back from it you see a gradual change. The accountability factor and reporting to state-level institutions/agencies is there. But there are times when new components of performance funding are implemented and you see a momentary push on it, an emphasis of a duration of a year or two until it

becomes integrated into the institutional fabric and then it becomes a part of the smoothing process.

A number of faculty members noted that there were occasional peaks of awareness that occurred when the points slipped. A faculty member (Bruner) expressed it this way, "I think it has been very cyclical. When points are up, then we don't hear a lot about it. When points are down, you hear a lot about it. Probably every two to three years something happens to cause us concern." Faculty member Julia Fowler agreed and said, "As long as things are okay, there really wasn't much said one way or the other." That cyclical trend indicated that even a high scoring institution like WSCC occasionally faced bad performance years. The college responded each time with a healthy desire to make changes in order to improve performance.

An administrator (McQueen) noted that when WSCC doesn't do as well as they should on performance funding, the president "doesn't waste much time in letting us know and letting us know we need to improve." The loss of points was felt at this institution because it depended on the revenue to help them meet their budget. The campus pulled together at these times and worked to change things or perhaps do some extra things to make sure they regained the portion that was lost. The example that participants mentioned most frequently of this type of cyclical effect was the general education exit exam results in the late 1990s. When the scores came back lower than normal, the college seemed stunned and humiliated. But to their credit, they went back to work to make changes for the future. A couple of task forces were formed to study it and make recommendations for the future. The following year, the

scores did bounce back up, and the college continued to monitor this area to assure that they did as well as possible.

The value of the reward diminished through the years. While the initial 2% was increased to 5% by the mid-1980s, it stayed the same until the mid-1990s. At that point it increased to 5.45%. The allocation was considered by some as meager in today's economy. A division dean, Mark Perez said,

> Yes, the incentive is there to make sure you're doing what you say you're doing, but the reward is not always as big as you'd want it to be. I understand what it is there for and I do it. Add a couple of extra million on to it, and I will do you a damn good job.

When asked about performance funding as an incentive as well as a reward, division dean Kelsay Poulos said:

> I think that it is a punishment. We need the money; we need more funding than what we've got. I think it was initially thought of as layering for added work, but in fact we need the money. I think it's more of a potential for punishment or failure, than reward.

Responses such as those represented larger funding issues than just the performance allocation percentage. A number of participants mentioned the dismal financial status of the State of Tennessee, which in turn stifled general revenue growth to institutions. The chief financial officer of WSCC noted that in 1999-2000 the State of Tennessee was only funding at 89% of the enrollment-based funding formula. That lack of

foundational operating money caused extra pressure on WSCC to perform well on performance funding to make up the difference.

Since this program had been in place twenty years (1979-1999), the reflections of people about its value and continuance was solicited. The participants, many of whom have been at WSCC over ten years, were asked to choose one of the following: Would they continue the policy, modify the policy or eliminate the policy? The results are indicated in Table 4-2:

This table shows that slightly over 30% of participants would continue the policy without changes. An equal number would continue it, but with modifications. Then, just one administrator suggested it be eliminated. That person commented that the low percentage of the reward was not worth all the trouble. A final group of eight either could not respond or were not sure what their recommendation would be for continuance. For the most part, they didn't believe they had enough information to be

**Table 4-2 Recommendations on the Future of Performance Funding**

| | Faculty | Division Deans | Administrators |
|---|---|---|---|
| **Continue without changes** | 3 | 5 | 3 |
| **Keep the policy but modify** | 5 | 2 | 4 |
| **Eliminate performance funding** | 0 | 0 | 1 |
| **No response/ Not sure** | 4 | 1 | 3 |

able to make a judgment. Many of them thought the decision should be made by top officials who knew the performance funding policy the best.

## Summary of Results

In summary, the results related to the performance funding policy at WSCC indicated an integrated policy with fairly high awareness among the college community. The college administration kept performance funding as a campus-wide priority by weaving it into the fabric of the institutional effectiveness plan. While the penetration of the policy to the faculty level vacillates from person to person, it was clear that the administration carefully crafted that plan which assured the successful completion of the various criteria that make up performance funding. By in large, the results were taken seriously as demonstrated through the way the data was used in decision-making. The intentions of the policy as described by Bogue (1980, pp. 4-5) seem to have largely been accomplished.

# CHAPTER FIVE

# FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

## Overview

The purpose of this case study was to evaluate the influence of performance funding policy as the policy has been implemented at WSCC and to explore those factors that have shaped any effects on the campus since 1979. In order to accomplish this purpose and to give direction to the study, the research questions included:

- How has the performance funding policy affected Walters State Community College?
- Are the effects of the policy consistent with the intentions of the policy?
- What is the formal means by which performance funding has been integrated into the work of the institution?
- Has performance funding penetrated WSCC and become a part of the institutional culture?
- What have been the effects of performance funding policy that have had an impact on instruction, curriculum, student services, practices, programs and administrative function?
- Have the effects of performance funding on WSCC changed over time?

The case study method was utilized in this dissertation for its usefulness in evaluating the contemporary phenomenon of performance funding. This method allowed for indepth collection and analysis of data through document acquisition, interviews and observation on the main campus of WSCC. The multiple sources of data created triangulation, which added validity to the study (Denzin, 1978; Bickman & Rog, 1998). The interview transcripts, documents and observations went through a process referred to by Tesch (1990) as de-contextualization which involved the reduction of the data into categories. The follow-up of this process as Tesch described it was re-contextualization, which was interpreting the categorical data into emerging patterns and themes. This analysis of the data led to the following findings, conclusions and recommendations.

## Findings

The research questions gave direction to the collection and analysis of data, so therefore they will also serve as the format for reporting the findings.

***Q1 How has the performance funding policy affected Walters State Community College?***

The most important and obvious effect was that performance funding had become a part of the institutional culture. That was made obvious through evidence collected in documents, interviews, and to some degree the observations. Interview participants were aware of performance funding and thought it was an important part of WSCC, with administrators and division deans being the most knowledgeable. Faculty tended to know about it, but many lacked indepth understanding. What really

added credibility to the level of integration into institutional culture was evidence from documentation. The fact that performance funding was integrated in their self-studies, strategic plans, and a recent general education review, gave credibility to this cultural effect.

Performance funding policy was generally perceived as a healthy effect for WSCC. The policy served as an incentive to encourage the college to take a critical look at themselves in order to improve institutional effectiveness. The example most frequently referred to was in the area of accreditation. Through the years, WSCC pursued program accreditation in every possible academic area. While the college didn't have to obtain accreditation in every program, they chose to pursue it knowing it would make them a better institution for the benefit of the students and for those served by WSCC. It also allowed them to gain the maximum amount of points, and thereby receive the full compliment of funding in that category. While most participants saw performance funding as a healthy process, some thought that it had the potential to pressure an institution to perform for the sake of money. A number of participants noted a new practice established several years ago to help students prepare for the CollegeBase exam. These review sessions were seen by some as an attempt to artificially inflate the scores of students. That caused them to question the motive for this practice.

Another effect emerged regarding motivations for WSCC taking the performance funding policy so seriously. Three primary motivations became apparent. First, WSCC demonstrated that they were driven by the desire to improve.

The president set the tone for this and expected everyone at the college to be continuously seeking ways to improve. The second motivation was to obtain as many points as possible in order to benefit from the money. WSCC wanted and needed the extra resources to fulfill their plans for a bigger and better community college for their constituents. The third motivator was prestige. WSCC took pride in all they accomplished, and therefore did everything possible to score well on the performance indicators. They also wanted to look good in comparison to their peer institutions in the state. The state report cards that were released to the public through the media seemed to feed that competitiveness between institutions. Because WSCC has traditionally done well on the performance funding areas, it has given them a sense of accomplishment and pride. It also provided proof to the public and legislators that they constantly strive for quality. Those motivating forces played a vital role that drove them to be so committed to the growth and development of the institution.

Performance funding, in the early years, prepared WSCC for the new SACS criteria that were released in the mid-1980s. Leaders at WSCC believed that the policy gave them an advantage over community colleges in other states who were not as ready to demonstrate their effectiveness to SACS. This was an effect that leaders at WSCC appreciated.

A number of administrators that worked closely with performance funding were concerned that through the years it had grown too bureaucratic, time consuming and expensive to operate. The volume of administrative duties had grown to a point that forced WSCC to expand the size and budget of the office of planning, research

and assessment. The college has done whatever it took to do well on performance funding because the money became more important to them especially since the enrollment-based formula was not funded at 100%. Those closely involved in the coordination of the policy preferred a more simplified process and/or a higher percentage of money for all the effort.

***Q2 Are the effects of the policy consistent with the intentions of the policy?***

The intentions of the policy from Chapter One were:

The first intent was:

- *Be professionally acceptable, striking the right balance between the need for institutional autonomy and the need for state-level review.*

The majority of participants believed this balance proved true through the years and that there was not a strong sense of intrusion on the institution. It encouraged institutions to set benchmarks, and do self-assessment. If benchmarks weren't met, it was obvious to the institution and it didn't take the THEC to notify them.

However, some thought the THEC approved nationally-normed exams were a limiting factor in making WSCC conform a little bit more to the norm than maybe doing some things they would like to do as an institution. Administrators agreed that the policy may be slightly confining, but that it didn't negatively confine faculty in fulfilling their responsibilities.

The second intent was:

- *Encourage institutions to exercise initiative in developing performance measures on which they might eventually be funded.*

There were a couple of instances where WSCC personnel contributed to performance measures. In the early days of performance funding at WSCC, a number of individuals helped develop exit examinations for students. These department heads came together with colleagues from across the state to develop programmatic exit examinations that were later used to measure student outcomes. This process was very helpful not only to WSCC, but also to institutions statewide. It enabled senior level faculty to see what other institutions were doing and gave them an opportunity to improve WSCC.

A number of participants in this study recalled being involved on committees to select a new general education test. Those participating in this process were aware that selecting the best-suited exam would not only help WSCC reflect the quality of student knowledge, but also would benefit the extent of funding they could get in that realm of performance funding.

The third intent was:

- *Promote candor in the analysis, evaluation, and application of performance results.*

There was evidence primarily from division deans that a great deal of assessment, discussions, and decision-making were taking place as a result of performance funding. This provided the leverage for interdepartmental and

intradepartmental communication to take place on an ongoing basis. It was apparent that the results don't just sit on a shelf. It was discussed in administrative, faculty, and staff meetings and they constantly used information or ideas from performance funding results to help solve a problem. In the history of the policy at WSCC, the area of general education provoked the most effort to take negative outcomes and analyze, evaluate, and create solutions within the educational system.

The fourth intent was:

- *Performance funding would enhance institutional quality and instructional improvement.*

Performance funding was seen as a way to gently nudge faculty in the direction of improving quality." Performance funding made WSCC focus on continuous evaluation and improvement. The encouragement of quality and standards, as well as the financial incentive for achieving those benefited not only the institution, but more importantly the quality of education for students. It was apparent from the interviews and documents that performance funding caused a lot of examination of the curriculum and encouraged faculty members to improve the classroom teaching-learning process.

The fifth intent was:

- *Provides the citizen's of Tennessee, the Executive branch of state government, the legislature, education officials, and faculty with a means for assessing the progress of publicly-funded higher education.*

Participants in this study believed that the implementation of performance funding results through the years were a point of credibility to civic and public friends. Mention was made in numerous interviews that the whole college system had taken a beating from the public opinion perspective. The general public interest in the results from a consumer standpoint was one thing, but at a deeper level, the policy was providing justification for general funding from the state. An administrator stated that in a period of time when state funding was such an issue, performance funding was a means to prove their effectiveness to those in Nashville.

***Q3 What is the formal means by which performance funding has been integrated into the work of the institution?***

Performance funding has been integrated into WSCC by design. The president of the institution was intentional about making performance funding an integral part of the overall institution. He designed processes, structures, and committees that reflect a commitment to planning and assessment. He was credited with making a cohesive connection for quality improvement that included performance funding. He not only demonstrated enthusiastic support of performance funding, but also endorsed other quality improvement endeavors such as Management by Objective (MBO), and the Tennessee Quality Award (TQA), which uses Malcolm Baldridge standards. The president is a firm believer in exceeding expectations.

Another key person in the implementation of performance funding was the dean of planning, research and assessment. This dean carefully crafted an institution-wide effectiveness program that included performance funding among other things.

The dean, along with an assistant were the administrators of this program that encompassed the entire campus. They made sure that everybody fulfilled responsibilities and that timelines were met. Other campus administrators who were involved included the vice president for academic affairs and the vice president for business affairs. Academic division deans were also involved in carrying out the implementation of performance funding. They were also instrumental because they were the ones who had to carryout whatever change was necessary to cause WSCC to do well. Division Deans handled this responsibility in various ways. Some did the work themselves, while others wisely involved faculty in their divisions.

Faculty involvement usually occurred on a small scale through ongoing committees. Upon the request of the president, some faculty served on special task forces that dealt with unique issues. The perception of the majority of faculty members was that performance funding was more administrative and a top-down kind of initiative. However, most faculty that were interviewed agreed that a lot of people had been involved in performance funding through the years. From an administrative perspective, faculty were very important to the performance funding process.

***Q4 Has performance funding penetrated WSCC and become a part of the institutional culture?***

Performance funding was widely known on campus. The documents supported this claim, as well as through interview participants. The interviews indicated that two-thirds of those participants in this research study believed that performance funding had penetrated and become a part of the institutional ethos. An

example of the plant kudzu was given to describe the way in which performance funding has intertwined itself throughout the campus. Evidence of this was seen by virtue of the fact that most individuals felt it was a part of their job to assist in the implementation of the policy. Of those that did not think performance funding had penetrated throughout WSCC, nine out of ten were faculty members. Four of those nine faculty members thought there was some penetration but not on an ongoing basis which reached down to the faculty level.

All of the administrators interviewed noted that performance funding had penetrated the campus. Most of them sat in on meetings on a weekly basis which frequently mentioned matters pertaining to performance funding. Therefore, this constant flow of information kept the topic fresh in their minds.

***Q5 What have been the effects of performance funding policy that have had an impact on instruction, curriculum, student services, practices, programs and administrative function?***

- *Performance Funding Effects on Curriculum and Instruction*

The effects of performance funding on curriculum and instruction have been numerous. The most commonly mentioned effect was that it gave the impetus for continual review of the general education curriculum and instruction. In 1997, a general education review was conducted to better understand how WSCC was meeting its objectives. Part of the review was to help develop the curriculum and instruction to better educate students and develop their critical thinking skills. Another significant part of the review was based on trying to find a nationally-

normed general education exam that was a good fit for WSCC. Continuous questions arose about the general education exams as a valid measure of what students learned at WSCC. The content of the WSCC courses did not necessarily coincide with the exams and faculty were reluctant to "teach to the test."

There were other academically-related effects. In a Performance Funding Report from 1987-1988, the management/office administration department and the accounting department made note of corrective action steps related to teaching techniques to reinforce concepts that were essential in that field professionally, as well as on the exit test. One such weakness that was identified in a major field exam was that students were not performing well on a segment of a test about marketing strategies. Corrective action was taken and the curriculum was modified to include computer simulation in order to help students address marketing strategies in a business setting. On the next round of exams, the college found that students performed better on that aspect of the test.

Faculty members being involved in the process helped cause legitimate change through new teaching techniques, new or different courses, and even field trips.

- *Performance Funding Effects on Student Services*

Performance funding also affected student services. Data available based on student and alumni surveys was used to help address student satisfaction. Several examples were mentioned including a change in registration procedures to allow a smoother process for students seeking to return the next semester. Another example

related to services to students who attended satellite campuses. The feedback from students indicated that those non-main campus individuals needed more attention then they had previously received. Therefore, WSCC started offering more counseling, advising, financial aid, and tutoring services. A final example of effects on student services was a decision made by WSCC to be more deliberate about placement rates into jobs. WSCC responded and offered students more assistance with career planning and placement.

- *Performance Funding Effects on Practices*

Several institutional practices changed as a result of performance funding. First of all, it caused a lot of examination to take place on the academic side of the college, as well as produced faculty dialogue to take place across disciplines. The outcome of that increased communication were ideas which helped improve the educational preparation of students. It also caused a lot of examination of what could be done in the classroom to increase student retention of knowledge. Finally, it caused faculty, division deans and administrators to come together to establish study groups for graduating students who were preparing to take the general education exit exam. These groups were lead by faculty to help students know the kinds of items that would be on the test. Students were encouraged to do their best so that WSCC could score as well as possible. Incentives such as give-a-ways and scholarships were offered to encourage students to do their best.

- *Performance Funding Effects on Program*

Programs were upgraded as a result of performance funding. A good example of that was the accreditation gained as a result of performance funding which rewarded colleges that got previously non-accredited programs accredited. That process of continually accrediting new programs and keeping existing programs in good status with the various associations had a positive impact on WSCC.

Customer service training also took place to help educate staff to be more service-oriented in working with the students. This emphasis on professional development helped to build a more sensitized, qualified and student-friendly campus community.

- *Performance Funding Effects on Administrative Function*

Performance funding policy also affected administrative practice at WSCC. It facilitated communication within and between departments so that the institution could move ahead in quality improvement. It also led to an administrative decision to increase the number of staff persons to serve as off-campus site counselors. The alumni and student surveys showed that these students at extension campuses needed more personalized help with advising, financial aid and counseling, so WSCC allocated resources and personnel to provide more attention. The pursuit of accreditation required administrators at WSCC to allocate revenue to programs that needed approval. The additional resources helped gain this accreditation, but indirectly it helped improve the quality of the programs, which benefited students. Another administrative practice change related to accreditation was more selective

standards for hiring adjunct faculty. Once accreditation was being pursued, administrators had to hire individuals with the proper credentials.

Performance funding was not the only area of administrative reporting that WSCC had to submit to state agencies. The TBR also had a separate five-year cycle that up until now (2000) was not in alignment with the performance funding five-year cycle. In the new 2000-2005 cycle, both the TBR and performance funding programs are scheduled to be in sync.

Another administrative consideration involved the funding portion of the policy. Performance funding generated revenue over and above the enrollment-based formula to help meet institutional budgetary needs. The chief financial officer indicated that the funds WSCC received through participation in this program were allocated to the general operating fund.

The workload associated with performance funding has been escalating in recent years. When performance funding first started the president and the vice presidents took care of making sure they did their best. As time advanced, what used to be fairly simple was now complex, and required WSCC to have administrative staff dedicated to this program. In recent years, two full-time employees, plus a secretary keep up with the performance funding program and other planning, research, and assessment efforts.

***Q6 Have the effects of performance funding on WSCC changed over time?***

Consistent, gradual, and evolving were words used to describe how change took place throughout the history of performance funding at WSCC. The policy was

seen as a well-oiled machine with longevity. A number of faculty members noted that there were occasional peaks of awareness that occurred when the points slipped. Some described it as cyclical. This trend indicated that even a high scoring institution like WSCC occasionally faced bad performance years. The college responded each time with a healthy desire to make changes in order to improve performance.

In the past, when slippage of points did occur, the president was described as getting involved in order to make improvements. The loss of points was felt at this institution because it depended on the revenue to help them meet their budget. The campus pulled together at these times and worked to change things or perhaps do some extra things to make sure they regained the portion that was lost.

The relative value of the reward of performance funding diminished through the years. While the initial 2% was increased to 5% by the mid-1980s, it stayed the same until the mid-1990s. At that point it increased to 5.45%. While most participants in the study were appreciative of any extra money they could obtain from the state, a few were bold enough to exclaim that the allocation is meager in today's economy and that the state should increase that percentage if it is truly a reward. That response represented not only performance funding allocations, but also larger funding issues at the state level. A number of participants mentioned the dismal financial status of the State of Tennessee, which in turn stifled general revenue growth to institutions. The chief financial officer of WSCC noted that in 1999-2000 the State of Tennessee was only funding at 89% of the enrollment-based funding

formula. That lack of foundational operating money caused extra pressure on WSCC to perform well on performance funding to make up the difference.

Since this program had been in place twenty years (1979-1999), the reflections of people about its value and continuance was solicited. The participants, many of whom have been at WSCC over ten years, were asked to choose one of the following: Would they continue the policy, modify the policy or eliminate the policy? Slightly over 30% of participants would continue the policy without changes. An equal number would continue it, but with modifications. One participant suggested that performance funding be eliminated. That person commented that the low percentage of the reward was not worth all the trouble. A final group of eight either could not respond or were not sure what their recommendation would be for continuance. For the most part, they didn't believe they had enough information to be able to make a judgment. Many of them thought the decision should be made by top officials who knew the performance funding policy the best.

## Conclusions

Walters State Community College might be considered a performance funding model for other colleges in the TBR and UT systems. They should be commended for the extent to which they have embraced and integrated the policy. WSCC clearly used it to propel their quality enhancement efforts. The college took it seriously and made the policy a major component of their institutional effectiveness plan. The results are impressive. The quality of faculty, staff, majors, library, sports, and the physical plant did not resemble what most people envision when thinking of a

community college. If one were to cover the nameplate on the college entrance sign, a first time visitor, in wondering around campus for a few hours, would expect this to be a highly-endowed, private university.

Much of the credit for these monuments of quality must go to the long-term president of WSCC. He has been very influential in making performance funding successful. His continuous insistence on quality improvement has settled deep into the roots of the institutional culture. Another key to the policy's success is that he surrounded himself with a team of senior- level colleagues who were convinced of the merits of institutional effectiveness. The long tenure of these credentialed, and committed people, undoubtedly also played a role in the success of performance funding at WSCC.

Walters State Community College is committed to institutional effectiveness. Through the years they worked hard to improve and based upon this study did not indicate any signs of retreating from planned improvement. In fact, a couple of participants noted that if performance funding was eliminated, they were convinced WSCC would continue many of the same methods of demonstrating instruction improvement and institutional quality.

## Recommendations

A number of recommendations resulted from this study. These have been separated into two categories; suggestions for WSCC and for the THEC.

Walters State clearly used performance funding to propel their quality enhancement efforts. However, there are a few minor recommendations that the

college must consider. The first recommendation is for new, full-time WSCC faculty members to be oriented regarding performance funding. The majority of faculty members that were interviewed were long-time, tenured professors. However, non-tenured faculty members with less than seven years experience were not as familiar with the policy. They admitted that they didn't know very much about it. One person even got it mixed up with formula funding and thought it was partially enrollment-based. More information would help these new individuals. Involving them on a committee early in their careers would naturally immerse them into the policy. Additionally, division deans in all academic areas should clearly understand their responsibility to educate their faculty members in all aspects of institutional effectiveness endeavors at the college.

Related to this recommendation is the importance of continuing to communicate to all campus stakeholders the progress that is being made for the benefit of improving the college. There are some perceptions among the faculty that performance funding is a creative form of gamesmanship and that the college is taking it seriously because they need the money and want to look good compared to their peer institutions. Clarifying the priorities and creatively expressing these through written and oral communication would go a long way to dispel that perception.

A number of recommendations for the THEC resulting from this study can be made. The first suggestion is to simplify the performance funding process for colleges. The policy has evolved and grown through the years and become

cumbersome to administer. The time it takes to fulfill all the reporting requirements becomes especially troublesome given the small reward for participation. Therefore, the THEC should consider reducing the volume of paperwork, in favor of a more simplified process for institutions.

The second recommendation flows from the first regarding the reward. The THEC should consider increasing the current percentage (5.45%) of the performance allocation. This current amount has not changed for at least five years. Considering the amount of work involved in the program, the expenses associated with it, and the overall lack of funds for education in Tennessee, this recommendation should be carefully investigated. This performance-based funding program was based on results that prove to the governor, the legislature and the general public that WSCC provided a quality return on their investment.

## Recommendations for Further Study

A number of possible studies could be conducted to add to the body of knowledge. The first would be *the role and influence of the community college president in institutional effectiveness plans.* The president at WSCC played a key role in assuring that the performance funding program was an important part of the overall institutional effectiveness plan. However, is that the case at other community colleges? If the president is not influential in this regard, is it likely other members of the administration will see it as a priority?

A second recommendation would be to conduct a study *comparing case studies in states where performance funding is voluntary to states where it is*

*mandatory*. In Tennessee, performance funding is voluntary and the reward is small, while in South Carolina it is mandatory and the performance allocation of funds is the sum total of what they receive from the state. Studying the differences between the two dramatically different systems would be beneficial for stakeholders in higher education, government, and finance. While it may be a bit early to start the study given the short amount of time South Carolina has been using performance funding, it may be worthwhile to initiate such a study at the five-year point of their history with the policy.

A final recommended study would be a *cost- benefit analysis of the performance funding program in Tennessee*. Each year, institutions across the state invest hundreds of thousands of dollars in assessment, accreditation, and peer-evaluations, not to mention the human resource time. Among the questions to be answered would be, how high are the institutional costs for participation and how does it compare to the reward that is received from the state? Also, what are the non-tangible benefits of performance funding to students, institutions, communities and the state? This study could give clarification to the assumption that was raised by one of the participants in this current dissertation study, that the reward was not worth all the cost, time and effort.

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# APPENDIX

Appendix A

**Document Summary Form**

Location: Walters State Community College

Document Source: _____

Date received or picked-up:_____/___/____

Name or description of document:

Event or contact, with which document is associated:
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(adapted from Clark, 1967; and Miles and Huberman, 1984)

Appendix B

## Contact Summary Sheet

Contact Type: Visit_____ Interview _____ Location _____

Date: _____/_____/_____ Today's Date: _____/_____/_____

1. What were the main issues or themes that struck you in this contact?

2. Summarize the information you got on each of the target questions you had for this contact

| Research Questions | Information |
|---|---|
| How has the Performance Funding policy affected Walters State Community College? | |
| Are the effects of the policy consistent with the intentions of the policy? | |
| What is the formal means by which performance funding has been integrated into the work of the institution? | |
| Has performance funding penetrated WSCC and become a part of the institutional culture? | |
| What have been the effects of performance funding policy reform that have had an impact on instruction, curriculum, student services, practices, programs and administrative function? | |
| Have the effects of performance funding in WSCC changed over time? | |

3. Is there anything else that struck you as salient, interesting, illuminating or important in this contact?

4. What new (or remaining) target questions do you have in considering the next contact with this person at WSCC?

(Adapted from Miles and Huberman, 1984)

Appendix C

**Table of Documents**

- Preliminary Performance Funding Report, 1986-1987
- Performance Funding Report, 1987-1988
- Performance Funding Report, Special Analysis, 1987-1988
- Performance Funding Report, 1988-1989
- Preliminary Performance Funding Report, 1989-1990
- Performance Funding Submission, 1990-1991
- Performance Funding Report, 1992-1993
- Mid-Year Submission, 1993-1994 Performance Funding, Requests and Schedule of Assessments, March 1994
- Performance Funding Report, 1993-1994
- Mid-Year Submission, 1994-1995 Performance Funding, Requests and Schedule of Assessments, December 1994
- Performance Funding Report, 1994-1995
- Institutional Self-Study, 1995-1997
- Mid-Year Submission, 1995-1996 Performance Funding, Requests and Schedule of Assessments, December 1995.
- Performance Funding Report, 1995-1996
- Planning Inputs for the Development of 1995-2000 Strategic Goals
- Strategic Plan, 1995-2000
- Second Annual Report of Planning Progress, 1996-1997.

Table of Documents (continued)

- Mid-Year Submission, 1996-1997 Performance Funding, Requests and Schedule of Assessments, December, 1996
- Performance Funding Report, 1996-1997
- General Education Review, April, 1997
- Fourth Annual Report of Planning Progress, 1998-1999, Vol. I & II.
- Strategic Planning and Continuous Improvement of Institutional Effectiveness Annual WSCC Catalog/Student Handbook, 1999-2000
- Objectives document, 1999-2000, Vol. I & II.
- ACT Student Opinion Survey (Two-Year Form)

Appendix D

***Interview Protocol***

1. **What thoughts/impressions can you share concerning performance funding at Walters State?**
   **Probe:** Can you point to an example of process, policy or decision at Walters State, positive or negative, that can be traced back to the influence of the performance funding policy?
   **Probe:** As a _____ (administrator, division dean or faculty member), what effects on quality, positive or negative, have occurred at Walters State as a result of performance funding?
   **Probe**: Have data collected through performance funding activities led to changes in the curriculum, instruction, student services, programs and or administrative function?
   **Probe:** Have the changes taken place consistently over the time you've been here, or is there a period of time when you recall when lots of changes took place?

2. **Describe your experience with performance funding at Walters State?**
   **Probe:** How has performance funding been implemented at Walters State?
   **Probe:** What individuals seem to have been most instrumental in leading the performance funding effort and most actively involved in making sure Walters State is taking advantage of the program?
   **Probe:** Based on your impressions, has performance funding been something that has been integrated across the institution, or is it isolated to a certain office?

3. **Based on your experience, what is performance fundings' greatest strength? Can you think of an example to illustrate this strength?**
   **Probe:** How do you respond to the idea that performance funding is both an incentive, as well as a reward?

4. **Based on your experience, what is performance fundings' greatest weakness? Can you recall an example to illustrate this weakness?**
   **Probe:** There are currently 10 performance indicators—from what you can recall of them, which ones were most troublesome to Walters State?
   **Probe:** How would you respond to the critics who might say that performance funding decreases campus autonomy?

5. **How can the policy be improved?**
   **Probe:** Would you recommend the policy stay the same, be modified, or be eliminated?

Any other information that you can share about performance funding at Walters State?

# VITA

Thomas A. Shaw was born in Van Wert, Ohio on December 11, 1959. He attended schools in the public system of Van Wert City Schools, where he graduated in 1978. In the fall of that year, he enrolled at Moody Bible Institute in Chicago where he graduated in 1981. Following a three-year term of service as program director of Fort Wilderness in Wisconsin, he entered the field of higher education as a recruitment counselor for Moody Bible Institute in 1984. Following two years in that position, he accepted the position of Director of Recruitment at Philadelphia College of Bible in Langhorne, PA, serving from 1986-1989. Shaw then accepted the Director of Admissions position at Bryan College in Dayton, Tennessee. He served in that role for six years, then in 1995 was promoted to Dean of Enrollment Management, a position he held until June, 2000. In July, 2000, Shaw accepted the position of Executive Director of the Alumni Association for Moody Bible Institute. During his tenure at Bryan College, he completed a Master of Science degree in College Student Personnel at the University of Tennessee, Knoxville in 1994. In 1998, Shaw returned to the University of Tennessee to pursue the Doctor of Education degree. The doctoral degree was received in December, 2000.

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